CREDIT
and FINANCIAL MANAGEMENT

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First Principles
In Credit Services

No. 5

Inaccurate credit information is the basic cause of bad debt loss. Credit information is inaccurate when it is incomplete, when it lacks full perspective, when (and this is the most frequent cause) it is out-of-date. In analyzing our annual bad debt loss it is well to remember that many losses now classed as unavoidable would be *unnecessary* if accurate credit information were used.

Credit executives often rely on inaccurate information because they have not discovered how to obtain the true, complete record in time to be of assistance when "action today" is required.

Their real problem is: *How to get the accurate, complete facts quickly.*

Here is the real cause of their problem:

There are literally hundreds of credit service offices attempting to function as mediums for the exchange of ledger experience between creditors in industries or markets, and often among several in one industry in one market.

The result: No one of these independent, uncoordinated services can gather information from more than a fraction of the creditors; no one of them can give the credit executive up-to-date information quickly because they haven't the sources readily available; all of them, collectively, make too great demands for credit information to permit credit departments to answer all such requests promptly.

The cost of operating all of them—which wholesale and manufacturing interests pay either directly or indirectly—make present costs for credit service so high that it is a financial impossibility for a credit executive to buy the service of all those who might be of more or less assistance to him.

Finally, isolation is untenable in credits. Cooperation is more than a sentiment; it is an economic necessity. And this duplication of organizations creates *competition*—not *cooperation.* In credit, competition is synonymous with *disaster.*

Here is the only solution of their problem:

Far-sighted credit executives long ago devised the procedure to overcome this situation when they laid the groundwork for the Credit Interchange Bureaus System of the National Association of Credit Men.

These Bureaus operate in such a manner that when a credit executive gives his information *once* he makes it available to all other creditors; he makes it possible to give his information *quickly* by ridding himself of a needless volume of requests for information on the same account; he reduces the costs for credit information to himself and all other creditors.

Thus he needs only this one service—and that completely comprehensive service he can use consistently, intelligently, and profitably.

By doing his part toward removing competition from credit—for competition in credits is tantamount to suicide—the credit executive assures his own safety and the security of his fellows.

Credit Interchange Bureaus
National Association of Credit Men

(Photographic reproduction of the famous oil painting, "The Gulf Stream," by Winslow Homer in the Metropolitan Museum of Art, New York.)

Don't d-r-i-f-t . . .

. . . with the flow of the business current through today's uncharted seas! Ahead wait the shoals of indolence; on the port side roll the sharks of ignorance; on the starboard break the waves of indifference.

Set your sails . . .

. . . but to make port you must know winds and tides, men and ships—fundamentals. And the fundamentals of business are equally important today.

Steer your course . . .

. . . the practices and principles of business are no man's heritage. The log of business is an open book. You, also, are eligible to be captain of your commercial ship. But you too, must be expert in the details of business navigation.

Master fundamentals . . .

. . . and the fundamentals of CREDIT are paramount. Like the moon, CREDIT has the control of the ebb and flow of the tides—the tides of commerce. A mastery of CREDIT fundamentals is essential. To help you gain it, business leaders have developed the course in Credits and Collections of the NATIONAL INSTITUTE of CREDIT. Turn the first page in your log. Send today for details by clipping the coupon. Don't d r i f t !

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NATIONAL INSTITUTE OF CREDIT

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Looking ahead

One of the feature presentations of the September issue will be an article by Dr. Glenn Frank, President of the University of Wisconsin. In this article Dr. Frank gives a comprehensive analysis of the economic problems we are facing today, with particular emphasis on emergency economics and emergency politics. In this issue there will also be an analysis of the Third Credit Congress of Industry held in conjunction with the thirty-eighth annual N. A. C. M. convention at Milwaukee. This analysis will crystallize the results of the Credit Congress and indicate what probable future developments in credit group work will be.

Our cover

"A Century of Progress" is visualized in a special camera study arranged by Paul Haase at the Old Masters' Studio, N. Y. C.

CREDIT and FINANCIAL MANAGEMENT

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TELEGRAMS
CABLEGRAMS
RADIOGRAMS

Graveyard credits

Three years ago Julius Rosenwald, great merchant and philanthropist, told me the story of Byron Mullanphy. Mullanphy died in St. Louis in 1851. At that time St. Louis was the gateway to California and the vast, undeveloped west. In his will Mullanphy established an endowment fund to assist worthy travelers, stranded in St. Louis, in making their way on west to build new homes and new cities. In a comparatively few years there was absolutely no need for this fund. Although it was a modest sum at the time of the bequest it totals at present over one million dollars. In St. Louis today there are many people who need aid far more than travelers did in the fifties, but according to law this money can be used in no other way than that prescribed by the will. Apparently this million dollars is locked in a vault that can never be opened.

Mr. Rosenwald was discussing philanthropy when he told me this story. He termed the Mullanphy endowment as "graveyard philanthropy." From an article published three years ago and based upon my interview with Mr. Rosenwald I take the following quotation: "The generation that has helped to make a millionaire should be the one to profit by his philanthropy. There are enough contemporary needs to be cared for—no one needs to send his fortune worrying out into the future. The obligations of philanthropy are not yesterday or tomorrow. They are today—and should be met today."

The word "credit" may be substituted appropriately for the word "philanthropy" in this quotation, to read as follows: "The obligations of *credit* are not yesterday or tomorrow. They are today—and should be met today." Graveyard credits are a thousand times worse than graveyard philanthropy. They are credits and obligations which have a maturity date so far in the future that the purpose for which they were originally intended shall have passed long before the maturity date falls due.

Altogether too much of this country's long term indebtedness falls under the classification of graveyard credits. Obligations with maturity dates falling due in the next generation constitute one of the world's greatest economic crimes. We have had the insidious anomaly of bonds listed on the New York Stock Exchange with maturity dates a full century into the future. It is not uncommon to find bonds of business and industrial corporations falling due in forty or fifty years. Can any reasonable, thinking man find a single justification for such a financial practice? In this modern age of fast moving events the purpose for which the bonds were floated may have ceased to exist in ten or fifteen years, yet the obligation does not have to be met until forty or fifty years.

In 1890 one of our railroads sold an issue of bonds maturing in 25 years. This new capital was invested in rolling stock and physical improvements. By 1910 eighty per cent. of these capital investments had been replaced. Yet in 1915, when the bonds matured, the railroad re-funded this debt for another twenty-five years, thus giving the indebtedness a maturity date thirty years after the original expenditure for capital had been almost entirely satisfied.

"Next-generation" credits not only mortgage the future but they pile up a great burden of fixed charges that impede seriously current business progress. There may be a difference of fifty per cent. in the price level or purchasing power of the dollar in a period of fifteen or twenty years. Long term indebtedness assumed at a high price level may fall due when the price level has just gone through a precipitous decline. This makes the obligation that much more difficult to meet. As long as national wealth and income are increasing future obligations need cause but little worry. But there will always be sudden halts in this upward curve and it is then that the burden becomes almost intolerable. Between 1921 and 1929 when our national wealth and income were increasing rapidly we did not control the swift accumulation of long term indebtedness. When the crash came in 1929 we were faced with a heavy load of fixed charges that had to be met.

Graveyard credits in the commercial field are just as injurious as in long term financing. Several years ago the instalment field was cluttered with graveyard credits. Automobile terms extended over such long periods that cars had no trade-in value many months before the final payments were made. Fortunately, through the efforts of soundly managed finance companies, this evil has been largely corrected. Many wholesalers and manufacturers have failed because they have allowed credit and sales terms that are unusually long and lenient. They have become bankers instead of merchandisers or fabricators—and their penalty has been a neatly and appropriately engraved tombstone. The Industrial Recovery Act, if it can enforce a rigid adherence to sound, standardized terms, will do a great deal to eliminate graveyard credits in the commercial field.

As prices and our national income increase, the present debt burden will lighten proportionately. But great care must be exercised to prevent a recurrence of additional long-term financing that will shift current obligations far into the future again. Graveyard credits are paving-stones along the road to economic ruin. Long-term financing is one economic factor that does not fluctuate with business gyrations. If a new economic order is to succeed there must be a consistently planned and administered program of amortizing long-term indebtedness and restricting future obligations of this nature at least within the span of one generation. It is an easy financial gesture to float an issue of bonds that our children or grandchildren must meet. That is negative statesmanship which causes, and probably has caused more serious problems than any other single factor. Graveyard credits must be avoided.

Chester H. McCall

The business

a compilation of business and

Mercury columns of trade

How hot is it in August? We look at the bright line of mercury in the thermometer for an answer to that question. Likewise we must look to the various indices of trade to learn of the forecast in the world of trade. The following items show the trend of business in recent weeks:

BUSINESS OPERATIONS: Statistics covering the last half of July indicated a higher output in most lines of production than in the three preceding months. Production in the automobile field still is at a high average but not quite to the peak of the last week in June. Production of steel ingots was reported for the last half of the month as about 56 per-cent of capacity. The textile shoe and tobacco industries showed a continued activity but there was a certain slackening in some lines of food processing.

CAR LOADINGS: For the week ending July 8, the reports of the American Railway association show, there was an increase of 30 percent over the corresponding week in 1932. This is another index of a definite increase in trade.

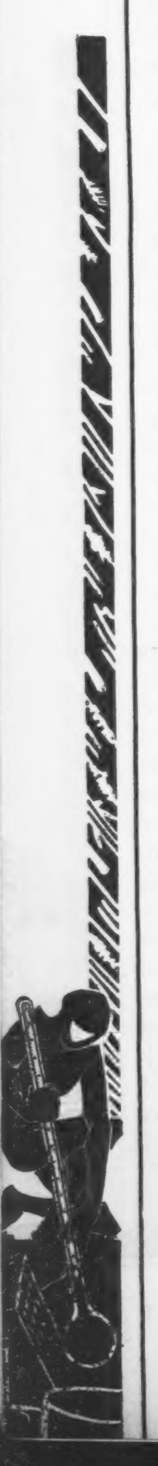
RETAIL TRADE: Reports from many sections of the country indicate a continuance of activity in retail lines. In some territories retail trade is showing the largest totals during the past three years.

INTERNAL REVENUE: One of the best indices of business is the increase in the revenue of the Federal Government. Revenue collections for June increased by $44,606,607. For the fiscal year of 1933 revenue collections show a gain of $62,110,181 over 1932.

SECURITY PRICES: The index on 100 representative stocks reached a high of 107.73 on July 18. This is compared with a low for these stocks on March 2 of 79.73. As compared with the July 18 index, this shows a rise of 28 points or 35 percent. In the three day recession during the third week in July, the index fell to 96.22 or about 10 percent.

RAIL EARNINGS: Union Pacific reported a net operating income for June of $2,130,000 as compared with $890,000 for a similar period in 1932. Reports issued by the Chesapeake & Ohio Railway company indicate an income of $10,365,717 as compared with $8,766,967 for the first half of 1932. Earnings of other rail lines show a general increase in revenues for the first six months of this year.

REAL ESTATE MARKET: A survey issued during the last week in July by the National Association of Real Estate Boards, and which covers 245 cities indicates considerable activity in certain parts of the country already showing in real estate transactions. The most active section is in the East-South Central states where 67 per cent of the reports indicate a boost in activity. Most of the activity so far is reported from the group of cities from 200,000 to 500,000 population.



In discussions of modern economics as applied to the new deal in governmental activities we hear several new terms. President Roosevelt used one of these new terms just a short time back when he declared that "the United States seeks the kind of a dollar which a generation hence will have the same purchasing and debt paying power as the dollar value we hope to attain in the near future."

As to how to best attain that sort of a dollar, the nation's executive has been seeking the advice of the most astute students of economics. "The Brain Trust" is one of the new terms now heard in official circles in Washington, where these economists are working their cerebrums overtime in an effort to chart the way to these "compensated" or "commodity" dollars which President Roosevelt says the country must have to keep trade on an even keel.

Two members of the Cornell university faculty, Professor G. F. Warren and Professor F. A. Pearson, in a recent article put out through the Nana syndicate, give their ideas of how the "compensated" dollar could be obtained and just what are its benetfis. They start off with this premise:

"When the United States was on the gold standard, the price of a bushel of wheat was the ratio of the value of sixty pounds of wheat to the value of 23.22 grains of gold. In any country that used a different weight of gold for money, the price was different. If a country changes either the unit of measure for wheat or the amount of gold in the monetary unit, a corresponding change is made in the price of wheat. The price of wheat is a ratio of the demand for wheat and the supply of it to the demand for gold and the supply of it. There are four factors in price not two, as is commonly supposed."

Thus do Professors Warren and Pearson present their theory of price. From this premise they procede to explain the inconsistancies in the price ratio since the days of the World War. As they

thermometer:

financial trends and indications

state the case, "the question to explain is not why prices fell so low since 1928, but why during and after the World War period, prices were so much higher than the supply of gold justified".

This is their answer to the question:

"The explanation is fairly easy. During the war period most of the countries of Europe completely abandoned the gold standard. They not only abandoned gold; they stopped bidding for it. This made gold cheap in the few markets that were open to it. When the demand for gold returned with general restoration of the gold standard in 1926-28, that demand returned in proportion to the amount of business which the world was then doing.

"It is necessary to add 3.15 per cent. per year to the world's monetary stocks to keep pace with increased production of commodities. To take care of industrial as well as monetary requirements, it has been necessary to mine annually 5.6 per cent of the world monetary stocks. Whenever it has less than this amount it has been followed by a decline in commodity prices."

Now as to the "compensated dollar." this is the theory of the two Cornell professors:

"The compensated dollar is a proposal to establish by law a currency redeemable in gold, but the weight of gold for which the dollar would exchange would vary with the index number of prices of all commodities. That is, if prices rose one per cent, the weight of gold for which the dollar would exchange would be raised one per cent. If prices fell one per cent, the dollar would exchange for one per cent. less gold.

"The gold would be kept in bars in the Treasury and central banks. The same principle could be used with a combination of gold and silver. This would keep the dollar stable in buying power for the average of all commodities.

"The dollar has to be rubber either as to weight or as to value. It cannot have a fixed weight and also have a fixed value. This proposal would give it a fixed value and a rubber weight. If at any time we attempt to restore the gold dollar containing 23.22 grains of gold, and require that the debts be paid in such dollars, we shall simply be resuming the chaos which was just ahead of us when we were forced off gold."

How will all this work out? What will be the net result to the man in the street, to the merchant and to the industrialist? This is how the Cornell professors vision the result of their proposal:

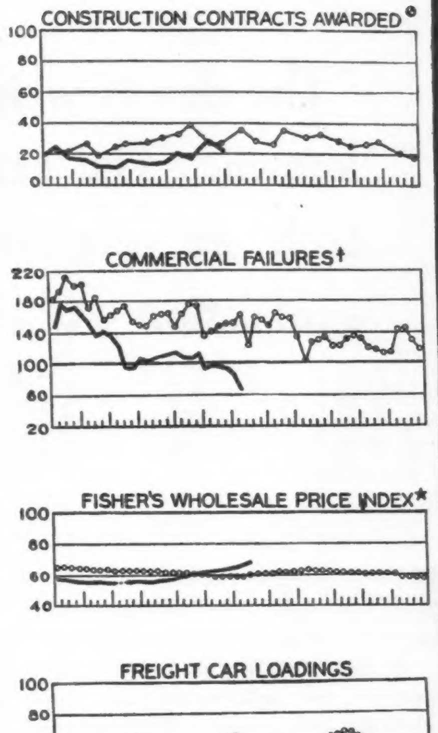
"The cost of living would be somewhat lower than in 1926 because costs of distribution would be lower than they were then and because rents would not rise to the 1926 level. The index numbers of the cost of living would be somewhat higher than the index numbers of wholesale prices, but not so much higher than they were in 1926.

"The long-time trend of wages in the United States is to rise in purchasing power at the rate of 1.71 per cent. per year. This is practically the same as the normal increase in output of commodities per capita. If the pre-war trend of wages had continued to 1934 and if wholesale prices had remained at the pre-war 100, wages would be expected to have been 144, which is the normal increase in purchasing power in 21.5 years.

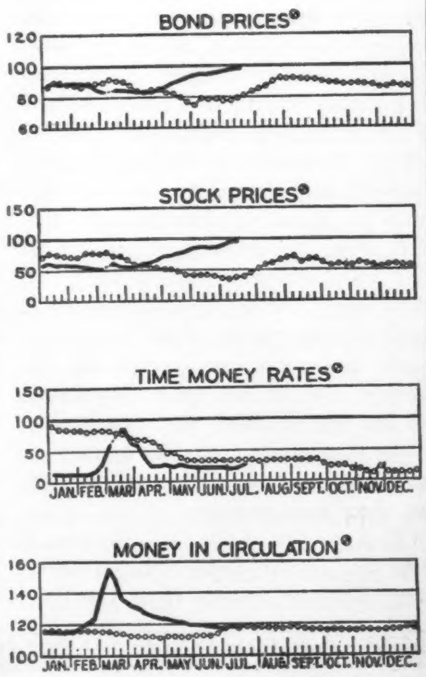
"If wholesale prices return to the 1926 level (146 when pre-war equals 100), wages would be expected to be 210.

"Union wage rates in 1926 were 235, farm wages 171, wages of government employes 171 and college professors 178. Wages at the present time are in utter chaos. Many persons are working on farms and elsewhere for less than pre-war wages. Some workers are receiving almost as much wages as they received in 1929. A restoration of the commodity price level will gradually bring approximate equilibrium in wage rates for different kinds of work."

Commercial



Financial



Opportunity awaits Credit!

"The don'ts which underlie efficient credit policies are known. The next step is to get Credit Men, through such an organization as yours, to make practical application of the things that stand revealed."

by HON. DANIEL C. ROPER
Secretary of Commerce

I am gratified to have an opportunity of communicating with credit men engaged as you are in the study of fundamental principles in our commercial life. All Americans are under obligations to those who safeguard our credit system by guiding our complicated business dealings. It is not for me to discuss here, however, the technique of your line of public service. To do so would be another instance of the futile effort to "carry coals to Newcastle." However, we all need to endeavor to coordinate efforts that will enable us to profit by the facts of history and experience.

The development of our credit system has gone hand-in-hand with the development of our country. Advancing civilization requires at each succeeding step a more delicate, a more thorough, and a more specific reckoning with credit structure. This grows out of the increasing multiplicity and resulting complications in our modern methods of living. As long as men lived in primitive fashion, produced what they consumed, were not dependent upon others in the exchange of goods, credit factors were unimportant. People living under those conditions sought no credit and gave none. A business man of our great Northwest said on one occasion that the history of the development of this section of our country may be said to be divisible into three eras, namely:

(1) The "Era of the Ox", the period when that animal supplied the power to carry the early settlers from the East to the West, and to draw the plow in virgin soil. The ox secured his subsistence unguided in the night time and on naturally green pastures. When too old for service, the ox was converted into food for the people, supplying also hide for shoes, tallow for candles, horns for powder containers, the bones for the fertilization of the soil, if and when fertilizer was needed. Certainly in this pioneer period, credit was not needed.

(2) The "Era of the Horse", which marked an advancing and hence a more complicated civilization. Here arose in this great country the first need for credit. The owner of the horse had to substitute, for the home-made ox-yoke, store-bought harness—and the buggy for the ox-cart. The horse, a more delicate animal, could not be turned out in the pasture to gain his subsistence at night, as was the case with the ox, but had to be fed on the products of tilled soil. Here entered need for credit,—and at this juncture, banking and other agencies to supply credit naturally appeared.

(3) The present "Era" is that of the motor car, with the airplane well on the horizon. Here greatly increased credit was required, because machines not only demand greater first-cost outlays than the horse, but more money for up-keep. Feed-stuffs for the horse, products of the farm, now have to be replaced by fuel gasoline, requiring money and credit.

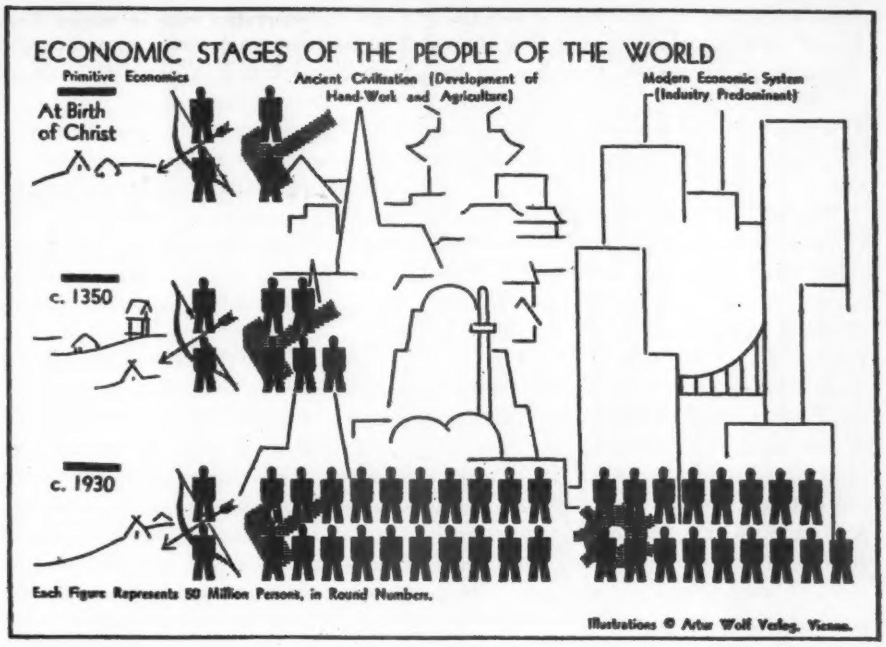
The general development of our common country may be pictured in another way: (1) The period when agriculture was our dominant industry required but simple and limited credit facilities. This era may be said to have ended with the Civil War. (2) All great wars bring radical changes in social and economic life. Among the important changes brought by the Civil War was the inauguration of the industrial era which was soon to take first place over agriculture. Here began the development of large mercantile credit systems. Industrial supremacy may be said to have prevailed until the World War. Then (3) the "Third Era" appeared, and banking control took the laurel of leadership from industry. This Banking Era caught the imagination of

"Credit Control is a major factor in production"

HON. DANIEL C. ROPER
Secretary of Commerce

the people generally, and so dominated both bankers and the people as to influence all classes of the people to neglect agricultural work and even to forget industrial pursuits. The speculative psychology and the agencies prompted thereby led to the cataclysm of 1929.

We are now at the threshold of another "Era" which we cannot yet identify by name, but which is destined to be characterized by better control of those agencies which have to do with our economic and social life. This control will strive for the greater protection of all concerned. It is the desire of those who support constructively our form of Government that the initiative of business and industry should be prompted and encouraged to assume leadership in this "Era". They recognize the fact that the united effort of all proper business agencies is needed to insure the happiness and satisfaction of our people, and that we should encourage a basis of common thinking on the subject of the inter-relationship of business, discourage bloc thinking and bloc action, and prompt major cooperative endeavors in the interest of a just and equitable program of "live and let live".



Secretary Roper pictures the development of our nation in three eras—the age of the ox—the age of the horse—the age of the auto. The above illustration shows the development and trend of the human race since the birth of Christ.

In our modern civilization, credit is a sine qua non,—and you, as supervising credit men, occupy a most important field in the business world. Mercantile credit is assuredly one of the most vital factors in American industry—an indispensable element in all business.

Under the impact of the depression, our credit situation has been full of drama. Many eyes were cast askance at our imposing credit structure. Would that structure prove to be weak,—vulnerable? Would it crumble, and totter and be shattered? Or would it, on the contrary, prove sturdy and resistant, and emerge intact?

We are all thankful to be able to say to-day that credit in this country has remained essentially sound despite the unprecedented severity of the economic tremors. Its relative stability has prevented the utter prostration of our economic system on numerous occasions during these recent racking years.

However, one cannot assert that American credit has escaped unscathed. It has not. Various cracks and fissures have developed. Imperfections have been brought more vividly to the light of day. Your surveys, I am sure, show plainly that credit is being liquidated in an orderly manner, in spite of the blows of the depression, and that sound credit methods constitute the best-managed portions of our economic system.

Statistics reveal convincingly that the credit of our country is sounder today than in any previous major slump. Bad-debt losses in the retail trade have only increased from six-tenths of 1 per cent in 1930 to 1½ per cent in 1932—an adverse change, in view of prevailing circumstances, of a wholly *inconsequential* character.

Ordinarily, one of the first things shattered by a panic is credit—at least most of the European panics have demonstrated that fact. In the United States we have had an economic tornado—yet our time-tested credit practices and procedure still go on, very much in the accustomed way. Government issues, even without the gold clause, are all over-subscribed—manufacturers extend credit to wholesalers, and wholesalers to retailers—and so on to the ultimate consumer. Credit has *declined less* than the other vital indexes, as our Commerce Department surveys conclusively show. Consider how stock and bond values were smashed—how merchandise inventory values were hammered—how grievously our purchasing power and employment were impaired! No similarly staggering shocks have been sustained by the credit fabric.

Why is this? Part of the answer lies, I think, in the underlying principles and concepts of credit in the United States—the *spirit* that animates it.

The extraordinary development of credit in this country is a manifestation of basic American characteristics. In the mood and temper of our approach to credit problems, we differ greatly from many other nations. Credit operations are relatively restricted in those countries where rigid traditionalism is strongest—where business tends to be strictly stratified and "straight-jacketed"—where potentialities for the future are obviously limited—and where hesitancy, suspicion, and timidity prevail. Under such conditions, a tight rein on credit is naturally maintained, and but little development in that field can be hoped for.

In America, our dominant disposition is essentially different—and this significant difference has nourished a very impressive *flowering of credit*. The American temperament is fundamentally sanguine. We are ardently optimistic. We hold tenaciously to the conviction that both the opportunities of our citizens and the achievements of the nation will continue to expand on strengthened bases. Past depressions have not served to shake that confidence—because always we have been instinctively aware of impulses, energies, and capacities, that have heartened and re-

assured us. It is this basic confidence in our American future, it is this esprit de corps of our people, that has led us to develop credit to its present stature. Courageously and sensibly, we dare give the fullest weight to future potentialities.

To-day, in this country, a man's credit is determined by countless factors other than the crude criterion of the amount of money in his strong-box. His credit is not gauged solely by the extent of his actual resources at a given time. Monetary solvency and "liquidity" form a highly important element, to be sure, in appraising any man's right to receive credit—but so, too, do the elements of his character, his past performances, his business capacity, his demonstrated earning power, his prospects of success and his prestige. This intelligent broadening of the bases of mercantile credit has operated as a potent humanizing factor. It is an evidence of commercial enlightenment among our people. This liberalized credit system has contributed incalculably to the high standard of living that has distinguished the United States. Its combination of flexibility and soundness largely explains the spirit which has helped American credit to withstand the fiercely battering assaults of the depression.

The spirit of American credit is the spirit of cooperative helpfulness. That same spirit, I am sure, will govern the relationship existing between the United States Department of Commerce and the body of American credit men. As I see it, the New Deal envisions a deeper and ever-more-dynamic cooperation between the American Government and American business men. The acknowledged mutuality of interest between the two should result in a steadily heightened mutuality of earnest effort. If the Department has been able to help you at all in the past, we shall strive diligently to help you still more in the future.

Among the recommendations which have been offered for possible assistance from this Department in the form of services to your Association is that we conduct current credit surveys to secure statistics of wholesale credit methods and practices. Surveys to determine the cost of credit in various industries, the relative causes of bad-debt losses, the annual "death rate" among enterprises in the several business centers and in each major geographical area, the causes of business mortality, and the mortality rate in major lines of trade, have been mentioned as being of probable benefit. Why are business death-rates increasing or decreasing? What, precisely, is the cost-burden of our commercial failures—and how is that burden distributed among owners, creditors, employees, consumers, and others? Is the business mortality rate of the United States higher or lower than that of other countries in the world? All these seem to be practical questions of real "pith and moment".

Assistance in establishing agreements or codes of credit control for manufacturers and wholesalers is still another proposal. The extensive research which has been carried on should enable the Department to help in the establishment of uniform rules and regulations governing such matters as the maximum period of time that credit should be extended—interest charges on past-due accounts—discounts allowed—the period allowed before accounts become delinquent—sales to delinquent accounts—chattel and installment sales—financial statements presented for the purpose of securing credit—the dissemination of credit information pertaining to debtors through existing and *new* channels of information—and finally, let us say, a uniform method of handling insolvencies and liquidations without throwing "distress merchandise" on the open market.

As the proponents of such credit codes suggest, while the unfair elements of competition are being eliminated the seller must learn not to *over*sell his customer, or to press upon him goods beyond his capacity to pay for, resell, or consume. The buyer, on the other hand, must learn to exercise restraint and not to strain unduly his credit facilities. Thus the problem, very plainly, is one of education. Departmental credit-and-failure surveys will help provide the material. The danger signals are visible. The "Don'ts" which underlie efficient credit policies are known. The next step is to get American credit men, through such an association as yours, to *make practical application* of the things that stand revealed.

In outlining such possibilities for cooperation between the Department of Commerce and your Association (to the end that all American credit practices may be bettered), I must stress one highly pertinent phase of the situation. Every true credit man is naturally a devotee of rigorous economy in business. Economical methods safeguard honest dealing and are vital to profits—vital to commercial self-respect and to every wholesome principle of business and Governmental operations.

These problems, as related primarily to the Federal Government, are among the many appropriate for consideration by the Committee on Long Range Economic Planning now in process of formation in the Department of Commerce,—a Committee which I suggested at the May meeting of the United States Chamber of Commerce in Washington. This Committee to be selected by and from industry will comprise representatives of the leading American industries, including your Credit Association.

(Since this was written by Mr. Roper, Executive Manager Heimann has been announced as Permanent Secretary of the Committee, which is headed by Gerard Swope of the General Electric Co.)

The object is to secure greater concord and cohesion of purpose, a more comprehensive and better-ballasted program of cooperative endeavor between the Department and business generally. Personnel of signal distinction is being enlisted for this committee. It will consider first some immediate problems of administration in our Department. Later, the expectation is that it will greatly broaden the purview and scope of its discussion and consultative functions, becoming one of the really significant instrumentalities for cooperation between the Government and American business.

Successfully administered, the National Industrial (*Continued on page 29*)

Credit stands severe test!

"Ordinarily one of the first things shattered by panic is credit, * * * We have had an economic tornado—yet our time tested credit practices and procedure still go on very much in the accustomed way. * * * Credit has declined less than the other vital indexes. * * * Consider how stock and bond values were smashed—how merchandise inventory values were hammered—how grievously our purchasing power and employment were impaired! No similarly staggering shocks have been sustained by the credit fabric."

Secretary Roper

Hop - skip - jump!

New York to Philadelphia to Italy's Riviera . . . . That was the route of one buyer in many markets, who then sold out and disappeared.

by CHARLES J. SCULLY, Fraud Prevention Department, National Association of Credit Men

The Olympic event styled the "Hop-skip-and-jump" is not alone confined to our athletes, for by a slight variation it fits in very snugly with the activities of some of our so-called merchants who enter the market with but one object and that being the "stinging" of their creditors.

The "heroes" of this story (if such they can be termed) hopped into business with numerous orders for merchandise, skipped with "their" merchandise to Philadelphia and then one of them jumped to the sunny shores of Italy, there to bask in the warmth of the Riviera sun while his creditors were forced to cancel their contemplated week-ends at Coney Island or other seacoast resorts somewhat less exclusive than the Riviera.

During the month of October, 1930, Saul Elkind and his wife, Dorothy, formed a partnership under the name of the Elkind Neckwear Company with headquarters at 156 Allen Street, New York. In this business they received the aid of Saul's brother-in-law, one Morris Berson, whose previous experience in the manufacture of neckwear was considered of value.

For a short time the business prospered. Bills were met promptly but the financial returns did not reach the expectations of either Berson or Elkind, so they decided to secure all merchandise possible through a buying campaign that would net a substantial amount by disposing of it below the market value.

In order to alleviate suspicions on the part of their creditors, no single order was issued for more than two hundred dollars and the scheme netted at least ten thousand dollars, inasmuch as the orders were scattered all over the United States.

About this time a wide awake credit manager learned that part of the merchandise sold by his concern to the Elkind Neckwear Company had found its way into the premises of a small manufacturer in Philadelphia with whom he had never transacted business.

Upon his return to New York, this alert credit manager called the matter to the attention of Mr. A. A. Clune, Secretary of the Uptown Group of the Silk Association of America who in turn handed over the case to the Fraud Prevention Department of the National Association of Credit Men whose machinery was immediately put into motion.

About this time an involuntary petition in bankruptcy was filed in the Southern District of New York and the liabilities were estimated well in excess of \$10,000.00 while the public sale of the merchandise and fixtures remaining brought less than \$50.00 which showed beyond any doubt that a complete "clean up" had been made.

The investigation developed the fact that shortly prior to the petition in bankruptcy a considerable amount of merchandise had been removed late at night from 156 Allen Street by motor truck and transported to Philadelphia where it was dropped on the sidewalk only to be picked up shortly thereafter by a privately owned automobile.

On the morning following the removal of the merchandise a man calling himself Sam Finkelstein and claiming to be a jobber with headquarters at 24 Elgin Court, Brooklyn, N. Y., sold a large quantity of merchandise to various neckwear manufacturers in Philadelphia at prices below the market value and upon learning that the description of Sam Finkelstein was identical with that of Morris Berson the aid of the Department of Justice was enlisted and Agent Warnes of the U. S. Bureau of Investigation was assigned to cooperate with S. J. Callaghan, a representative of the Fraud Prevention Department of the National Association of Credit Men. Both of these men made a personal convas of all neckwear manufacturers in Eastern Pennslyvania and through this (*Continued on page 36*)

This Olympic event is not confined to our athletes as some so-called merchants have patterned their actions to the hop-skip and jump.

True credit data builds profits

"Every credit executive wants to help increase sales, but it is the height of folly to go beyond the bounds of reason. Closer control of credit will eliminate times such as we are passing through at the present."

by P. E. MEYERS, Vendor Slate Company, Eaton, Pa.

An adage that we have all heard at one time or other is "Look for a depression about ten years after a war". Others say depressions are unavoidable, that they come in cycles the same as good times and it is the contention of the experienced that periods of sweeping downward prices cannot be averted but must be permitted to run their own course.

This is probably true; however, we must agree that there surely is some way in which such devestating periods can be eased or prevented from reaching such great depths.

Honesty and character are the basis for the extension of any amount of credit, large or small. There is such a thing as stretching a point and disregarding the unwritten laws of common sense. Biting off more than can be chewed, plainly explains the evil. Proof may be available that the individual or corporation is honest but if conditions are not favorable, the over extension of credit is the forerunner of a depression and period of adjustment.

It seems to be that such periods of adjustment are not brought on by the well managed company, but by the debtor who was extended more credit than could ably be handled. This is not only true from the standpoint of the average business house, but fully applies to banks, insurance companies and as far up as governments themselves.

From a credit executive's point of view let us analyze this subject and at the same time compare it with the fields mentioned above.

When the credit executive interviews a potential customer, it is an assumed fact that the customer's requirements are not confined to one source of supply. After a discussion of the customer's net worth, it is decided to extend him credit for $500.00. The credit executive is assured of payment in accordance with the terms agreed. The material is released and payments are received as promised.

This turn-over continues for a time until eventually the customer is owing $1500.00, because of the desire to build up a good customer and forgetting entirely that surplus credit is being granted. Some may say this is good business. It is good business if the credit executive convinced himself, only by a thorough investigation, that the additional credit is warranted and the delay in paying is only temporary.

Don't lose sight of the fact that nine times out of ten this delay is caused by the delay somewhere else along the line and is the forerunner of a loss due to an incomplete setup for the financing of a certain job. In many cases it takes only a few of such losses to cause disaster to your customer and directly affect the creditor. Many companies are reluctant to issue financial and operating statements at the present time, so it is even more important that we prove to ourselves that we are not skating on thin ice.

Getting back to this fellow who originally was given credit for $500.00. It is now up to $1500.00, and he eventually sends a check for $1000.00 on account. About a week later another order is received for $750.00, and is shipped without hesitation because the credit executive is promised payment of the old balance *shortly*. The general inclination is, since the customer paid in the past, there is no reason to refuse credit. Still we are not absolutely sure his financial condition is not weakening. In about a month the customer pays $250.00 on his account now amounting to $1250.00 and orders additional material valued at $500.00. The result is instead of owing some $500.00, the maximum credit agreed, he owes $1500.00. While he is buying from you, at the same time he is surely receiving credit from at least three or four others for like amounts or even greater and the chances are they are not being paid any sooner.

As a reply to the credit executives's request for payment, the debtor vainly shows he has a lot of good accounts receivable to be collected and on this assurance he is given even more credit. All of this is taking place while conditions are good, when thought is not given to facts that must be faced and figures that should be scrutinized.

What happens? Time goes on and the customer, realizing his own condition, obviously decides to confine his future purchases not with the same house but with each of their competitors. A repetition of the previous picture takes place and instead of the customer working himself out as he anticipated by changing his source of supplies, his financial condition becomes more involved.

About this time the first group of creditors become restless, make a thorough investigation and find the condition facing them. One or two start suit, the customer in a vain attempt to stave off the fatal day "robs Peter to pay Paul". Naturally his credit has been injured because the second group of creditors hear of the action taken by the first group of creditors and finally he folds up.

Bank loans, bank investments, insurance loans, bond issues, and in a slightly different sense, government loans, are indirectly affected by a condition cited above and causes the cycle to move from good to bad. This very plainly proved itself during the past three years. We are not taking the stand that abnormal times can be eliminated, but we do feel that if the extension of credit on the larger scale is guarded closely, the number of people affected by conditions through which we are now pass-

ing would not be so great in number and there would not be such a wide fluctuation of conditions.

This same condition not only exists with the commercial world today, but is on a parity with the financial status of governments. If our banking authorities who were responsible for the loans to foreign governments had been better credit men or solicited the assistance of good credit-minded men and investigated the financial responsibility of the countries to whom the loans were made, it is quite possible moratoria of a year ago would not have been necessary and there would be no ill feelings today by the American people as a whole against the foreign governments.

Getting back to our basic picture, the customer was forced to pay his first group of creditors because of the suit on his hands, but our government cannot use the same methods to collect its claim from foreign governments.

The over-extension of credits is not only one of the major causes of a depression because it is uncontrolled, but it is also the instigator of unemployment.

Let us go a little deeper into the picture and assume that the debtor employed about ten men. Due to his carelessness in watching his own credits which have placed him in the position where he cannot pay his debts, he is forced to lay off practically all of his men. Among this group we find a foreman who is quite familiar with the inside working of his employer's business and did not forget how his employer started with practically nothing and before long had an open credit of $1500.00 with several supply houses.

The next thought in the foreman's mind is to start in business, because he must exist, and as he has a few dollars saved and being familiar with the salesmen from the various manufacturers, he is confident he can get all kinds of credit. All of us know the salesmen's state of mind as a group when they land a new customer—over zealous. Right here is where the credit man should enter the picture if he is on his toes. Many a good account is developed from a new customer. Many millions of dollars are also lost annually on new accounts known as "drifters" who start up one day and shortly thereafter are out of business and within another thirty days are open again under another name.

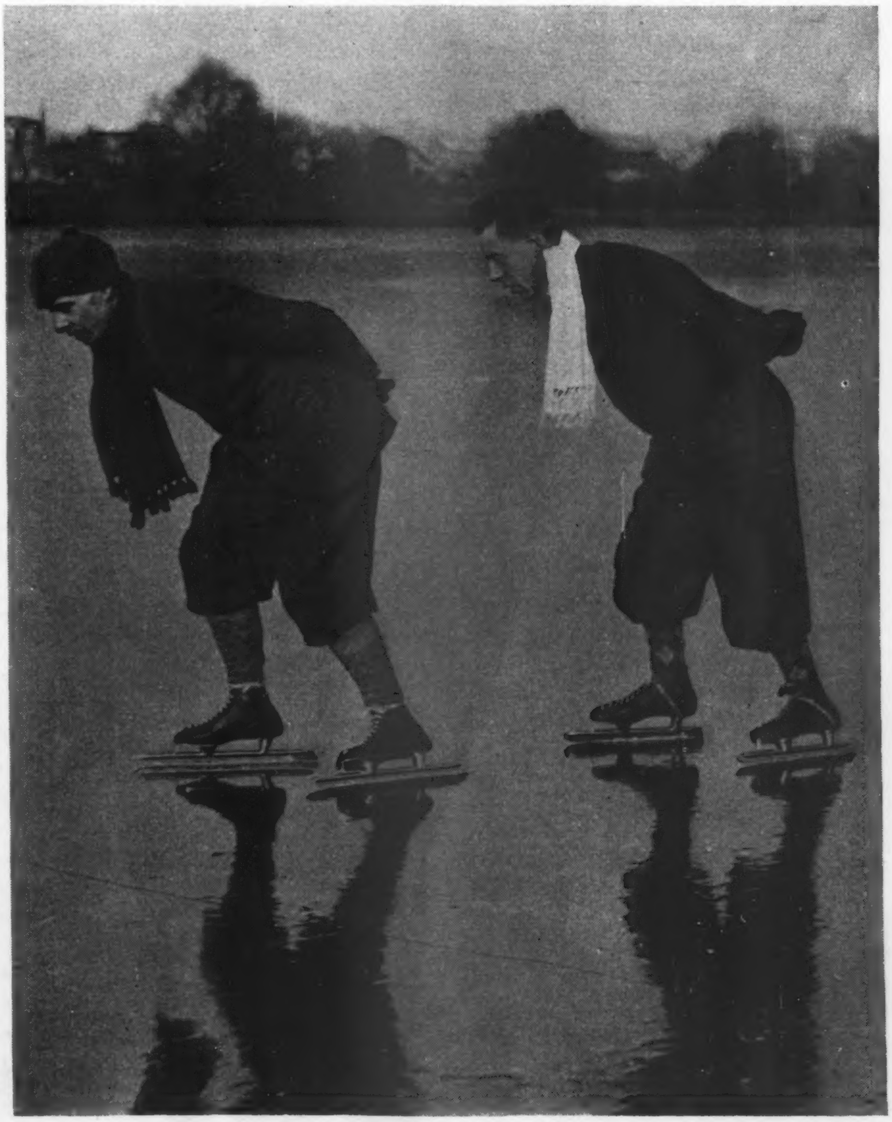
All this can be eliminated if the credit executive will endeavor to personally see each new customer and help him to set up his business on a scale that will permit him to pay his bills and make money. Eventually, if the credit executive does this, he is bound to have a good account.

Another example: Suppose the firm first mentioned continues in business and is slowly paying his obligations, but the foreman and several others are discharged because of lack of business. The foreman starts in the same type of business, is granted credit, has very little overhead, considerably less than his former employer who was well established. Competition becomes keen between the new entry in the field and the old established firm. Prices are cut and eventually after costs cannot be reduced any lower, desperately both quote prices that will not permit them to pay their bills. The result is obvious.

The last statement brings us right back to the fourth paragraph of our subject. A well established company today will not sign a contract if they are not able to pay their bills and make a profit although it may be small. It is not this type of company that causes credit to be expanded beyond control. The result is they lose a contract to a less reliable concern and at the same time the credit risk is hazardous. A closer regulated credit, especially at the time when speculation appears on the horizon, should surely straighten out considerably the line of time.

Every credit executive today wants to help to increase sales, the same as any government wants to help another country and a bank wants to grant loans, but it is the height of folly to go beyond the bounds of reason. Eventually it brings disaster in the form of heavy losses, such as started in 1929, followed by periods of downward prices and a day of reckoning. Whereas a closer control of credit when we absolutely know (*Continued on page 36*)

"Many companies are reluctant to issue financial and operating statements so it is even more important that we prove to ourselves that we are not skating on thin ice."



Business traffic signals

The National Industrial Recovery Act provides business with a new system of "stop-and-go" signals. This article analyzes the probable effect of the new "business traffic signal system," with particular emphasis on its consequences to the individual business man and his relation with his trade associations.

by DR. A. P. HAAKE, Managing Director, Natl. Association of Furniture Manufacturers.

We are emerging from what is possibly the greatest depression in history. We are by no means safely out of it yet, but we can at least take breath, look back around us, see what it was all about, what caused it, and what should even now be done about it.

In my judgment it spells the beginning of a new era in the history of our country and of the world. Perhaps this time we shall have learned our lesson sufficiently well to avoid as severe a recurrence in the future. Perhaps we can find some brakes that will stop the car before it crashes headlong the next time our structure grows out of balance.

It is significant that in this depression there was a surplus of goods combined with our inability to get them where they were wanted through the ordinary channels of distribution. You hear many explanations of this experience, all the way from grasping bankers to sun spots, but in the net it was due to a lack of balance in our economic structure. Factories ran wild with production, fields overflowed with grain, our mines poured out ores, new factories increased our capacity for production to unprecedented heights, credit expanded beyond belief;—and we hid the approaching danger from ourselves by using future, and as yet unrealized, earnings to absorb the growing surfeit of goods. We pyramided upon our pyramids.

And, with dramatic suddenness, in spite of rumbled warnings, the machine broke down; all but destroyed itself.

The details of that story could occupy many hours of discussion, but the fundamental fact to be grasped is that back of it all lay an outworn philosophy. About one hundred and fifty years ago one Adam Smith made a great contribution to society. He taught that society accomplishes the most good for itself by letting the individual alone, to seek his ends as best he can. "Laissez-faire"—let alone, and you get the best results: that was his theory.

On that principle was built one of the greatest of all nations. In our land, individual initiative was given full play. We glorified individualism. And sturdy pioneers blazed their way through the wilderness of industry and business to undreamed of accomplishment.

But that same theory carried in it the seeds of disaster. The machine developed vast power, but lacked brakes. So long as there was an unconquered frontier, so long as supply lagged behind demand, it mattered comparatively little that production exceeded distribution in its rate of development.

In a forest I can swing my ax without harming anyone. In a crowd I must be restrained lest I destroy my neighbor. And the time has come to recognize that the old, unrestrained individualism, the theory of Adam Smith, must give way to a more workable philosophy for the times in which we live. The individual must protect his welfare through what is best for the group, instead of the group relying almost blindly on the individual seeking of personal ends for the welfare of all.

It is this change of philosophy which is hardest for the average business man to accept. He has always wanted the big stick to make the "other fellow" behave, but fears the big stick which may be used to make "him" behave.

And yet, that is part of the new deal. Men must have jobs, those jobs must pay living wages, for our workers are also our customers. The "dog-eat-dog" destruction of the means of paying those wages to men who must have jobs, must be eliminated. A refusal to recognize these facts dooms our present economic system. We must look facts squarely in the face, deal with things as they are instead of as we wish they were, and the new deal can become a wholesome reality.

I realize that this is not a popular philosophy. It means a real departure for many minds. For that matter, had anyone ventured a few hundred years ago to suggest to some feudal king or knightly conclave that Feudalism was not a perfect system, that it faced decay and death, that the lowly traders, artisans, lawyers and money changers would become leaders in our social order, and that the man on horseback would give way before the rest—well, that person might have paid for his temerity with his head.

And because Feudalism refused to adapt itself to changing conditions, Feudalism passed away.

There was a time when the mighty Mammoth held sway over the animal kingdom. He scorned the lesser creatures, and the warnings of changing conditions left him unresponsive. "My father was a Mammoth, his father before him was a Mammoth. As Mammoths we have always done thus and so, and so long as we continue to do so we shall continue Mammoths and rule the world of lesser creatures." That was his story. He stuck to it. He passed out and left only his bones as witness that once he lived.

A family of rulers in Europe refused to recognize growing forces in their broad realm. They sought to repress the growing trend instead of adapting themselves to it, and the Soviet today rules in their stead.

And we? Like lordly Brahmans we have stumbled forward with our faces turned backward. Even now, with the foundations almost literally quaking under their feet, men are loath to see facts as they are. They yearn for a

return to the good old days, they tremble in contemplation of governmental interference in business, and call all new things "Socialism" because that is the popular label for all things dreadful.

I believe in the capitalistic system as the most productive society has yet evolved. But, I refuse to blind myself to its short-comings, or to insist that because it has worked in the past it must remain unchanged in the future. I want to see it saved—all that is best in it—and for that reason want to see done what is necessary to save it.

As I see it, the basic remedy lies in an adaptation of our social and economic philosophy to conditions as they are, to meet trends as they are developing, in a complete restoration, if that can be, of common honesty and fair tolerence. The individual must step down from the unshared throne and recognize the group. Having refused to believe sufficiently to live the teachings of the Man of Galilee for two thousand years, we now must listen and actually believe that it is necessary to let live if we would live.

I do not know what goes on in the soul of Franklin D. Roosevelt, but, unless I am badly mistaken, his *new deal* means something like that. Before his inauguration, and during the campaign period, like many more of you, I wondered whether the phrase "New Deal" might not be simply something to catch votes. I still believe that Herbert Hoover is one of the greatest of living Americans, whatever he may have been as president, I still believe that before his inauguration Mr. Roosevelt did not give us reason to expect all that he has accomplished since that time. But—if it be true that God sometimes intervenes in the affairs of men—then, in my judgement, He intervened to bring about election of Franklin D. Roosevelt!

No one has met that sturdy American, seen his clear eyes, his friendly face, and felt the spell of his personality, without realizing that this same man lay on his back for years fighting one of the worst destroyers. There was something in his soul that would not acknowledge defeat and carried him literally through the Valley of the Shadow. Through these weary years he suffered as few men suffer and thereby learned to feel for others who suffer. Franklin D. Roosevelt speaks from his soul when he asks for a New Deal for his fellow men.

He understands that under an unrestrained individualism it lies in the power of a few to destroy the many, that "dog-eat-dog" is not a healthy philosophy, and that the power to demoralize an entire industry must be placed beyond the control of any recalcitrant minority. And yet, he wants to retain the healthy individualism that leads to real achievement.

This new act, the National Industrial Recovery Act, is an effort to realize those two aims, even though the avowed purpose is to simply make more jobs and increase earning power with a measure of opportunity for business to increase the means of providing those jobs and earning power. The (*Cont. on page* 33)

Thirty-three years ago when the first automobile drove down the street * * the driver would have been horrified to receive a list of 42 rules which must be observed in driving down that street today. * * But today he could not drive in safety without those same rules."

Current survey of Credit Conditions show continued gains

by W. S. SWINGLE, director of the Foreign Department and the Foreign Credit Interchange Bureau of the National Association of Credit Men.

Credit and collection conditions in Latin America have shown improvement during the second quarter of this year, as indicated by the nineteenth quarterly survey covering 21 Latin American markets, just compiled. The information is based on the opinions of members of the Foreign Credit Interchange Bureau of the National Association of Credit Men who are selling in these markets. Reports from these same exporters are used in compiling the information on collections.

A favorable trend started in the first quarter of this year. The first indications of this were brought out in the eighteenth quarterly survey of credit and collection divisions in the Latin American field. The downward trend which was quite evident in the closing quarter of 1932 has been reversed in many countries since the turn of the year, and in the majority of these countries indications are that the low point was reached in the closing months of 1932 and the early months of this year.

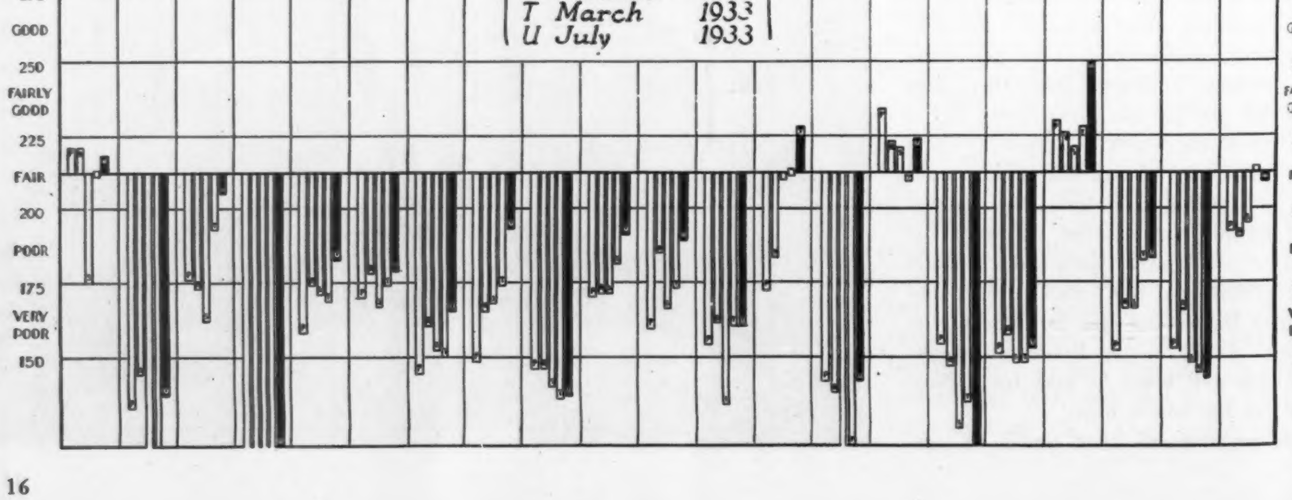
The results of the current survey indicate that the improvement started in the first quarter has continued to gain headway. The index figures on credit conditions show continued improvement in sixteen countries, ranging as high as 22 points in the index figures. Only four countries show a decline compared with the survey for the first quarter, and in one the index figure indicates no change in credit conditions.

It would appear that in all of these markets improvement has taken place within the countries. Drastic regulations have begun to have their beneficial effect and further confirmation is given of the fact that internal conditions within many of these countries have improved more than is evidenced by their purchasing power in international trade on account of the exchange situation.

Improvement in raw material prices, on which the economic background of so many of these countries rests, has been a helpful factor in righting the situation. This has resulted in an increased purchasing power, and as commodity prices increase, further benefits along these lines will be looked for. Reduction in governmental expenses, careful study of internal credit conditions, and a closer attention to the basic principles of sound credit, have all had beneficial effects within these markets.

The exchange situation still presents difficulties in regard to the transfer of payments. However, material improvement in the exchange situation has resulted from the arrangements made in Brazil and further developments can be looked for in other important markets in Latin America. In the survey for the second quarter, for the first time in many months the credit index figures for one of the countries, namely Porto Rico, were sufficiently high to be placed in the classification "good," continuing the steady improvement which has been noted in the previous survey. Mexico also has moved forward in the credit index. Reports on credit conditions indicate a steady climb during the last year to a point where the classification from the credit index places this country in a classification of "fairly good." Panama has shown improvement. Argentine has picked up most of the climb shown in the first quarter, and Brazil has continued the marked improvement shown in the first quarter. In such countries as Dominican Republic, Guatemala, Haiti, Colombia, Salvador and Costa Rica, while still in the general classification regarding credit condition of "poor," nevertheless have moved forward. In a number of the countries which are still classified as "very poor" improvement has been shown, but the general situation is such that considerable time will elapse before these countries will move forward into a substantially better classification. Most of the declines in the index have been of a moderate nature, and with the continuation

Credit conditions in twenty-one Latin-American countries scaled on the basis of the credit condition index figures which express mathematically the combined opinions of individual reports on each country.



and Collections in Latin-America during second quarter

of present trends, the subsequent survey should indicate better conditions.

As in previous surveys this comment on credit conditions refers only to commercial transactions based on the opinion of exporters doing business and does not reflect an opinion of governmental or municipal credits or the abilities of any of these countries to ultimately take care of its obligations when commercial or bonded indebtedness are considered.

As might be expected from improved reports on credit conditions, the collection index figures for business done in practically all of these countries show improvement. Current transactions are being more promptly taken care of, and with improvement in exchange conditions some of the old balances are being brought out or at least placed on some definite basis of liquidation. Exchange restrictions still exist in many countries and payments in local currency to the legal discharge of the debtor must be taken into consideration. Current shipments are being made to responsible houses in practically all of these markets and satisfactory arrangements for payment are being taken care of. Until foreign exchange balances are built up as a result of the adjustment of service payments or the increased returns from commodity exports, the exchange problem will continue and of course affect collections, but this probably will not seriously hinder current business.

Collections still remain relatively better than opinions on credit conditions would indicate, thus showing that despite difficulties abroad, responsible buyers are able to arrange to take care of their obligations and a relatively stable business can be anticipated as long as these markets are not oversold.

In fourteen countries, improvement was shown in the collection index and in only four was a decline indicated as compared to the previous survey. Such countries as Porto Rico, Mexico, Panama, Venezuela, have shown improvement. Collections from Colombia, Cuba and Honduras are reported as better than in the last survey.

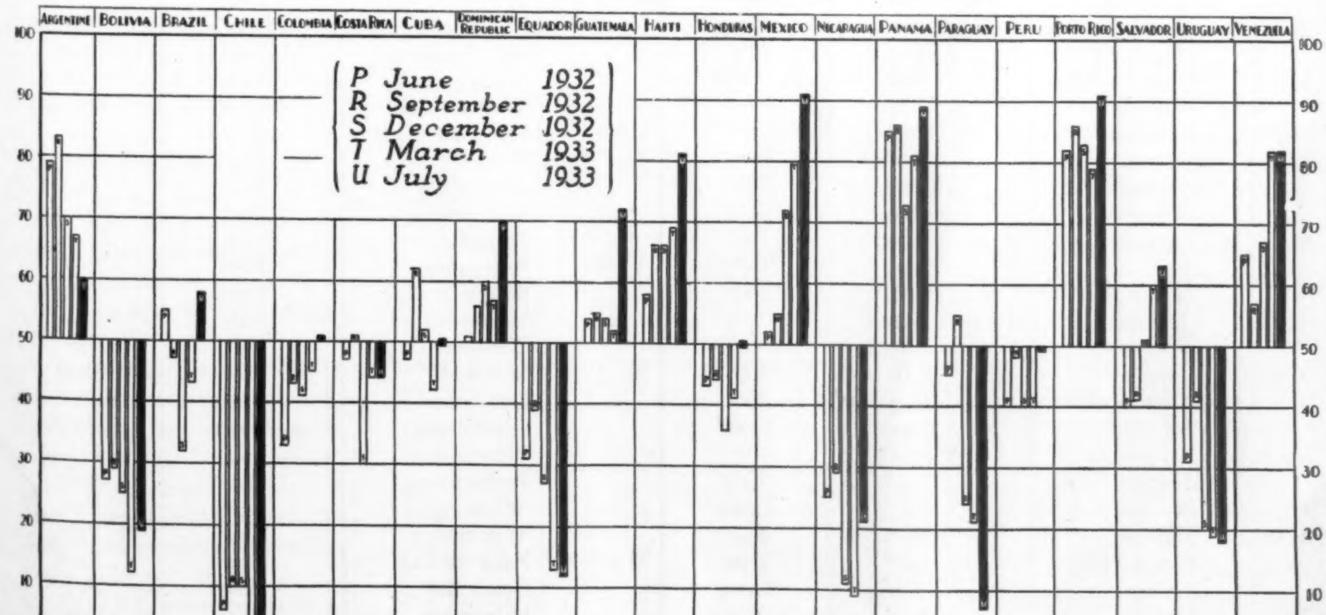
The collection index figures for the following countries are 70 or better, placing them in a general classification of Prompt: Puerto Rico, Mexico, Panama, Venezuela, Haiti, Guatemala, and Dominican Republic.

In the general classification of Fairly Prompt are Salvador, Argentina, Brazil, Colombia, Cuba and Honduras, where the collection index figure ranges between 50 and 70. Peru and Costa Rica range between 40 and 50. For the following countries the index figure is below 40, resulting in a general classification of Very Slow: Nicaragua, Bolivia, Uruguay, Ecuador, Paraguay and Chile.

The specific attention which the Administration in Washington is giving to the development of better trade relations with Latin America is a most important step in the working out of "country to country" agreements which may hold great possibilities for good. The improvements of the year thus far in credit and collection conditions indicate that a better background for improved relations is being developed.

Recent development in world affairs would seem to indicate that the improvement in our relations with our friends in Latin America are of utmost importance because we must probably look to a sound and reasonable development of trade with our friends to the South. They in turn as large suppliers of raw materials will have a background of sound trade with us.

Collection conditions in twenty-one Latin-American countries at five different periods. The scale numbers are based on the percentage of reports of prompt collections for each country during each survey.



Nation-wide collection and sales conditions

CREDIT AND FINANCIAL MANAGEMENT offers its regular monthly survey of collections and sales conditions. It is based upon reports from the associations throughout the country affiliated with the N. A. C. M. The reports are the results of the daily experience of the leading wholesaling and manufacturing concerns operating from these trading centers. The two questions "Are people buying?" and "Are they paying?" are perhaps the most direct and immediate reflection of daily business conditions in the country.

These reports have been tabulated so that you may see at a glance how conditions are reported in various cities in each state, also what cities report a condition of "Good, Fair or Slow." At the end of this summary you will find valuable explanatory comments that have been sent in to CREDIT AND FINANCIAL MANAGEMENT. These additional comments may be pertinent to your interpretation of collection conditions and sales conditions in the cities listed.

State	City	Collections	Sales
Ala.	Birmingham	Fair	Fair
Ariz.	Phoenix	Fair	Fair
Cal.	Los Angeles	Good	Good
	Oakland	Fair	Fair
	San Diego	Good	Good
	San Francisco	Fair	Fair
Colo.	Denver	Fair	Fair
	Pueblo	Fair	Fair
Conn.	Bridgeport	Fair	Good
	Hartford	Slow	Fair
	New Haven	Fair	Fair
	Waterbury	Slow	Slow
D. C.	Washington	Slow	Slow
Fla.	Jacksonville	Slow	Fair
	Tampa	Slow	Slow
Idaho	Boise	Fair	Fair
Ill.	Quincy	Slow	Slow
	Springfield	Fair	Fair
Ind.	Evansville	Fair	Fair
	Ft. Wayne	Slow	Fair
	Indianapolis	Slow	Fair
	South Bend	Fair	Fair
	Terre Haute	Good	Good
Iowa	Burlington	Fair	Slow
	Cedar Rapids	Good	Good
	Davenport	Slow	Fair
	Des Moines	Good	Good
	Ottumwa	Slow	Fair
	Sioux City	Fair	Fair
	Waterloo	Fair	Fair
Kans.	Wichita	Slow	Slow
Ky.	Lexington	Fair	Fair
	Louisville	Fair	Fair
La.	New Orleans	Fair	Fair
	Shreveport	Slow	Slow
Md.	Baltimore	Fair	Fair
Mass.	Boston	Good	Good
	Springfield	Good	Fair
	Worcester	Fair	Fair
Mich.	Detroit	Fair	Fair
	Flint	Fair	Fair
	Grand Rapids	Fair	Fair
	Jackson	Fair	Fair
	Lansing	Fair	Fair
Minn.	Duluth	Fair	Fair
	Minneapolis	Fair	Fair
	St. Paul	Fair	Good
Mo.	St. Joseph	Fair	Fair
	Kansas City	Fair	Fair
	St. Louis	Fair	Good
Mont.	Billings	Fair	Fair
	Great Falls	Fair	Fair
	Helena	Slow	Good
Neb.	Omaha	Fair	Fair
N. J.	Newark	Fair	Fair
N. J.	Trenton	Fair	Fair
N. Y.	Albany	Fair	Good
	Binghamton	Fair	Fair
	Buffalo	Good	Good
	Elmira	Fair	Fair
	Jamestown	Fair	Fair
	Rochester	Fair	Fair
	Syracuse	Fair	Fair
	Utica	Fair	Fair
N. C.	Charlotte	Fair	Fair
Ohio	Cincinnati	Fair	Fair
	Columbus	Good	Good
	Dayton	Fair	Fair
	Toledo	Slow	Slow
Okla.	Oklahoma City	Slow	Slow
	Tulsa	Slow	Slow
Oregon	Portland	Fair	Fair
Pa.	Allentown	Slow	Slow
	Altoona	Slow	Slow
	Harrisburg	Fair	Good
	Johnstown	Slow	Slow
	New Castle	Fair	Fair
	Wilkes-Barre	Slow	Fair
R. I.	Providence	Fair	Fair
S. D.	Sioux Falls	Fair	Fair
Tenn.	Chattanooga	Slow	Slow
	Knoxville	Fair	Good
	Memphis	Fair	Fair
Texas	Austin	Fair	Slow
	Dallas	Fair	Fair
	El Paso	Fair	Fair
	Ft. Worth	Good	Fair
	San Antonio	Fair	Good
	Waco	Fair	Fair
	Wichita Falls	Good	Good
Utah	Salt Lake City	Slow	Fair
Va.	Bristol	Fair	Fair
	Lynchburg	Fair	Fair
	Richmond	Fair	Good
	Roanoke	Fair	Good
Wash.	Bellingham	Slow	Slow
	Seattle	Fair	Fair
	Spokane	Slow	Fair
	Tacoma	Fair	Fair
W. Va.	Bluefield	Slow	Slow
	Charleston	Fair	Fair
	Clarksburg	Slow	Slow
	Huntington	Fair	Fair
	Parkersburg	Slow	Fair
	Wheeling	Slow	Fair
	Williamson	Slow	Fair
Wis.	Fond du Lac	Slow	Slow
	Green Bay	Slow	Fair
	Milwaukee	Fair	Fair
	Oshkosh	Slow	Slow

Nation-wide collection and sales comments

ARIZONA: Phoenix reports credits and collections as fair which is about the same basis as indicated in the report for June.

CALIFORNIA: A general improvement is reported in all sections of California during the past month. Los Angeles reports sales and collections good. Oakland continues to report fair in both columns but indicates there has been a decided improvement in retail trade and that check clearances show marked increases. San Diego also reports "good" for both collections and sales. "Business improving", is the added information from this territory. San Francisco indicates collections are fair and that sales also are fair but are showing increases. There has been an improvement in reduction on "receivables" also during the past weeks.

COLORADO: Sales and collections improving and feeling better generally, is the report from Denver, which is checked in the "fair" column on both sales and collections. Pueblo reports conditions on both important divisions of business in the southern part of state as "fair".

CONNECTICUT: Bridgeport reports "fair", same as last month on collections but moves into the "good" column this month in its report on sales. Hartford indicates collections as "slow" with sales margining between "slow" and "fair". New Haven checks in the "fair" column on both sales and collections but adds "improving" after each classification. Waterbury writes: "Local factories have been taking on several hundred operatives since May 14. These people are being hired in what seems to be a permanent basis. Many owe for rent, etc. and while sales and collections are somewhat improved no real gain may be expected before fall."

FLORIDA: Jacksonville reports collections are still quite slow but that sales are improving largely because of increases in wholesale prices. Tampa also indicates both collections and sales as slow.

IDAHO: Boise, reported last month as fair in both columns, now indicates a marginal gain to "good" but still classifies as "fair" in a conservative estimate.

ILLINOIS: Quincy checks "slow" in both columns but reports, "prospects are brighter but have produced no definite results as yet." Springfield records a double check on "fair".

INDIANA: Evansville adds "improving" after a double check on "fair". Fort Wayne indicates collections are "slow" and sales are "fair" but on the latter score says "indications are for improvement." Indianapolis says collections are "slow" with sales "fair" but picking up. South Bend sends a double check on "fair" for both columns. This is against a "good" report from Terre Haute.

IOWA: Conditions in the Hawkeye state seem to be spotty. Burlington reports collections fair and sales slow. Cedar Rapids reports good for both columns. Davenport indicates collections slow and sales fair while Des Moines indicates both sales and collections good and adds, "conditions have improved for wholesalers in last 6 weeks. While retail sales were better in May they were down in June." Ottumwa also indicates collections slow but improving with sales as fair. At Sioux City the average of the reports indicated "fair" for both sales and collections. Waterloo also reported "fair" for both columns.

KANSAS: Wheat crop failure in this state has affected business as regards collections and sales also are reported quite backward.

KENTUCKY: Lexington reports fair condition in collections and sales and Louisville checks under "fair" in both columns and adds: "sales and collections improved; better feeling; decided improvement in some lines."

LOUISIANA: New Orleans indicates general conditions in its territory are with a few spots leaning toward good. One reporting contact in this territory (dry goods line) indicated both sales and collections fifty per cent better than in 1932. Shreveport reports that although sales and collections as a whole are reported slow some improvement is reported in both wholesale and retail trade. Increased price of cotton is having a marked effect on all lines of business.

MARYLAND: Baltimore indicates conditions are not quite as good as in June.

MASSACHUSETTS: Boston and Springfield both indicate collections good while Worcester indicates "fair" as its report in both columns.

MICHIGAN: In the face of restricted banking facilities, reports from the industrial centers in this state indicate improvement. Detroit indicates increase in employment and a definite increase in business. Flint reports very noticeable improvement and Jackson reports some lines only have taken on new trade impetus.

MINNESOTA: Duluth says that while there has been a gain in both collections and sales, the situation there still remains "fair". Minneapolis reports that while crop damage has had an influence in some sections, the outlook in that region is generally favorable with present conditions checked as "fair". St. Paul reports that current collections are good but that old accounts

(Continued on page 39)

Changes since last month's survey

State	City	Collections	Sales
Connecticut	Bridgeport		Fair to Good
Florida	Jacksonville		Slow to Fair
	Tampa		Fair to Slow
Indiana	Fort Wayne	Fair to Slow	
	Indianapolis	Fair to Slow	
	Terre Haute		Fair to Good
Iowa	Burlington	Slow to Fair	
	DesMoines	Slow to Good	Slow to Good
Kansas	Wichita		Fair to Slow
Massachusetts	Boston	Fair to Good	Fair to Good
	Springfield		Good to Fair
	Worcester	Good to Fair	Good to Fair
Michigan	Grand Rapids		Good to Fair
Missouri	Great Falls	Slow to Fair	
Montana	Helena		Slow to Good
Nebraska	Omaha		Good to Fair
New York	Binghamton		Good to Fair
	Elmira	Slow to Fair	
North Carolina	Charlotte	Good to Fair	Good to Fair
Ohio	Columbus	Fair to Good	Fair to Good
Pennsylvania	Harrisburg		Fair to Good
	New Castle	Slow to Fair	Slow to Fair
Rhode Island	Providence	Slow to Fair	
Tennessee	Chattanooga		Fair to Slow
	Knoxville		Fair to Good
Texas	Austin		Fair to Slow
	San Antonio	Slow to Fair	Fair to Good
	Wichita Falls	Fair to Good	
Utah	Salt Lake City	Fair to Slow	
Virginia	Lynchburg	Slow to Fair	
	Roanoke		Fair to Good
Washington	Seattle	Slow to Fair	Slow to Fair
	Spokane		Slow to Fair
West Virginia	Charleston		Good to Fair
	Parkersburg	Fair to Slow	

Annual report reviews many of N. A. C. M. activities

By HENRY H. HEIMANN, Executive Manager

During the past years we have had four major objectives in the work of the Association. My order of statement of these objectives does not indicate an order of importance for them as I consider that they are so mutually interdependent that it is impossible to classify them as differing in importance. The four are as follows:

First—Membership—not only as it applies to the securing of new members but particularly in reference to a closer integration and solidifying of our present membership as a sound basis for the future progress of the Association.

Second—Improvement in the Association's financial security in order that we may provide for constructive future developement.

Third—To impress the working and importance of our Association more indelibly as a strong factor in the business life of the nation.

Four—Continued improvement in the general work of the Association and in the value of the service department activities.

While we have experienced still further membership decline during the past year, it is encouraging to note that this decline has shown definite indications of being checked during the past four months. The Association Sales Program, which was launched during the Fall and Winter, has undoubtedly been of benefit in three ways: first, the securing of new members; second, a more complete education of present members in regard to the value of the Association; and third, in bringing increased business to the service departments of the local Association. In our beginning of a new Association year, I believe that there are many evidences that we have a more unified membership with a better understanding of and appreciation of the Association than has existed in the past. This gives to us a foundation for future developement in membership which promises well, not only for a later increase in numerical strength but also for the general advancement of all lines of Association activities.

I am pleased to report that during the past year, the National Association has increased its net working capital. A part of this increase is represented in Accounts Receivable although a liberal financial reserve has been set aside for possible losses. The general condition of accounts owing from local Associations has been materially improved during the past twelve months and by far the largest percentage of the local Associations are in good financial standing in regard to their payments to the National. It will be the policy during the coming year to follow an even more rigid program as it applies to remittance of payments collected for us by the local Associations. This I believe to be necessary and businesslike, not only in the interest of the National Association, but in the interests of the locals. As a non-profit organization, it is not our purpose or intention to accumulate or to attempt to accumulate an excessively large reserve in the National. However, because of the many demands which are constantly being made for services and because of many opportunities for service which are steadily presenting themselves, we believe that a maximum of constructive development calls for the accumulation of a reasonable surplus which will be available for furtherance of Association activities. I need hardly say that the making of some financial progress during the last year has been possible only through exercising the most rigid economies and the willingness of members of the staff and the office personel to carry on increased duties with lowered remuneration.

It would be unfair on my part, however, did I not advise you in all seriousness my concern over the budgetary problem that confronts the National Association for this fiscal year. Indeed, it is essential that the local organizations expand their membership during the coming year, if the National Office is going to continue rendering efficient service. Our income not only dare not be further reduced, but an increase through increased membership, is absolutely essential if we are to operate a satisfactory service.

While the impressing of the Association as a more potent factor upon the business life of the nation is something which is more or less intangible and cannot, therefore, be adequately expressed or described in statistics, I nevertheless look upon it as an exceedingly important part of our work. During the past year there have been marked evidences of greater recognition being given to our organization, both by business leaders and organizations and also by government in its application to business. It may be interesting to note that in furtherance of this idea, various articles on credits and business in general have been prepared by the Executive Manager and other members of the staff and have been published in more than seventy magazines and trade publications. There has also been an increase of about 40% in the amount of newspaper lineage over the preceding year. Splendid work has also been done by the National Committee and by local committees in the fields of national and state legislation, as well as in such public services as the field of fire prevention and in various other lines. All of these various phases of our work do contribute materially not only to the advancement of the Association as an influence in the world of business but are highly conducive to the growth in prestige and standing of credit executives by fostering recognition of the importance of credit work.

I shall report briefly on the various service departments of the National Association, calling attention only to some of the highpoints in connection with these essential parts of our organization. There has been a growth in the volume of collection and adjustment business entrusted to our local Bureaus throughout the country; almost without exception these Bureaus have increased their efficiency in operation even though the actual making of collections has been more difficult than in past years due to the generally depressed conditions. The prestige of our Adjustment and Collection Department has been generally increased and gives assurance of an even more rapid growth in such business for the future. The Adjustment Bureau Department of the National has continued its supervision of local bureau activities and both the requirements concerning bureau standards

and the surveillance contributing to the maintenance of these standards have been more rigid. In the interests of an even greater efficiency it is my intention that such standards shall be still further improved during the coming year. Indirectly connected with the work of this department, plans have been made and are now being put into operation for more intensive effort to secure the collection business of national distributors which is not now being secured by local Bureaus. This is not a service in competition with local Bureaus, but through the medium of the Service Corporation of the National Association, is to be operated as a supplement to and an aid for the local Bureaus to which the claims secured will be forwarded for actual collection in locations where there are approved Collection and Adjustment Departments.

The Interchange Bureau has, during the past year, had an increase in the number of users and an even larger increase in the number of inquiries made. The most notable development in this department during the past year has been the promulgation and adoption of a new plan of charges which is now in effect for a large majority of Interchange users throughout the country and which has already given evidence that it will result in substantial increases in the number of Interchange users and in the value of the reports. With the growing recognition of the need for records of the paying habits of debtors and with further recognition that our Interchange Bureau is preeminently outstanding in its ability to furnish such information, the future prospects for this department are exceptionally good.

In spite of the decline in foreign trade, our Foreign Department and Foreign Credit Interchange has continued a high standard of service with no financial deficit in operation. Although there has been a decline in membership, our Foreign Interchange Department still numbers among its members an exceptionally large percentage of all of those who are carrying on foreign trade and has assurances that the members who have resigned will, almost without exception, again desire this service when there is a recovery in foreign trade. During the year the percentage of reports furnished on inquiries has steadily improved and the number of comments per report has increased. In addition to the Foreign Interchange Service, the Foreign Department has handled an increasing number of items for various Adjustment and Collection Bureaus in the National system with uniformly satisfactory results and has continued to improve its contacts with individuals and organizations in foreign countries where these contacts would be of value to our exporters or importers.

The Credit Group Department of the Association has also been the recipient of marked interest as a necessary business medium throughout the country. Virtually all of the Associations which have the usual service departments and a number of those which do not have such departments carry on credit group activities. We now have 408 credit groups throughout the country. The functioning of these groups is most satisfactory and efficient where they work in close conjunction with the other service departments. They not only provide an avenue for the bringing of business to other departments but in so doing serve to coordinate our various activities to the general benefit of the membership. This coordination applies particularly in the relation which should and usually does exist between credit groups and Interchanges; for it is not advisable for an industry to isolate itself from other industries in the securing of credit information. In this connection the delegates to the Convention will be interested in knowing that we have been working in harmony with the government in the development of the credit phases of the plans for industry control and have offered our services to government and to trade organizations in helping to perfect this phase of such plans. Numerous trade organizations are consulting us in regard to the relationship of credit to their trade policies and plans, and government officials have shown a marked regard for the ability of our Association to be helpful in the Recovery program.

Our official magazine, Credit and Financial Management, has had a relatively successful year in maintenance both of circulation and of advertising. The maintenance of advertising has been particularly marked as is indicated by the fact that during the past year, the general decline in advertising in trade and class publications has been 52%, whereas the decline for our magazine has been only 11%. A growing emphasis, both in reading matter and in advertising, has been placed upon material being directly adapted both to the needs of credit executives and to the furtherance of the Association as an agency to be used for the good of credits. This policy has been pursued without any decline in the quality of the general business material contained in the magazine; the success of the policy is indicated by the reader interest during the year, as evidenced by the receipt of approximately 400 letters from readers each month, a higher mark than ever before.

The enrollment in educational classes of the local Associations, carried on under the supervision of the National Institute of Credit, has been handicapped somewhat by the fact of reduced personnel in credit departments and the further fact that those engaged in credit work have almost invariably had increased duties to perform. In spite of this handicap, the educational work has been continued with success where it has received the active support of the local Secretary-Manager. During the past year there have been 100 graduates who have completed the courses leading to the granting of Junior and Senior Certificates of the Institute. Here too there is proof that credit executives and others in credit work are seeing the need for special fitness in carrying on the duties which they have to perform and that they are interested in adequate training and continued study of current developments which may be secured through the medium of educational classes and correspondence studies in general credit subjects and in the fields closely allied to such subjects. As an aid toward that objective, the material made available by the National Institute to the local chapters for the purpose of helping instructors and students in class-work, has been materially increased during the year.

In spite of the curtailment made necessary in the operations of the Fraud Prevention Department a little over a year ago, this department working in close cooperation with the United States Department of Justice, has been largely responsible for the securing of 111 convictions during the past year. This makes a total of 1,403 convictions brought about through the operations of this department during the eight years which have elapsed since its inception. During that period of time, there have been 2,693 individuals indicted and there are still 199 cases pending. Recently there seems to have been a renewed interest on the part of business generally in the value of this important work and increasing evidence that with the brighter picture of business prospects now existing, funds may be made available for enlargement of the operations.

In concluding my report I want especially to speak of the (*Cont. on page* 31)

Paging the new books

Reviews of the important books on business, to aid executives whose reading hours are limited.

THE INTERNAL DEBTS OF THE UNITED STATES. Edited by Evans Clark. The Macmillan Company, N. Y. $4.50.

"The Internal Debts of the United States" is one of the most noteworthy contributions to economic thinking and literature during recent years. This 426 page volume is based upon intensive studies made by a corps of economists under the direction and supervision of Evans Clark, Director of the Twentieth Century Fund, Inc., of which Edward A. Filene is president. The book gives a detailed picture of our country's internal debts, how they were incurred, what mistakes were made and what course must be followed in the future if we are to work our way out of present difficulties and prevent a repetition of our present internal debt problems.

This study is a symposium written by nine contributors, each an authority in his specific economic field. Ten consultants, comprising outstanding business and economic leaders, acted as advisers and reviewed the findings of the nine contributing editors, thus guaranteeing a wide scope and a definitive accuracy in the presentation of facts and conclusions.

The estimated long-term internal debts of the United States are set at 134 billion dollars. Total short-term indebtedness at the end of 1932 is placed at 103 billions. This total internal debt is broken down for analysis into eleven principal categories or classes of debts. The study has not been confined merely to a statement and analysis of facts. Its object has been not only to disclose, as precisely as possible, the location and extent of existing strains between debts and incomes, but to suggest ways in which the strains can be eliminated or eased.

The arrangement of the book is particularly fortunate for the busy reader. Each chapter begins with a summary of the facts involved in each of the eleven debt divisions studied, with recommendations for readjustments, reorganizations and the measures necessary to meet existing conditions. Following this analysis, which in most cases is only three pages long, a detailed study is presented, well-sustained by charts, graphs and statistics. The eleven debt divisions covered in this manner are: farm mortgages, urban mortgages, the railroad debt, public utility debts, debts of industrial corporations, debts of financial corporations, the debt of the United States Government, the debts of Local and State Governments, short-term business debts, short-term personal and household debts and bank debts.

The book is concluded with a chapter on general recommendations. It is the conclusion of the authors that there is no positive evidence of an intolerable debt burden upon our economy as a whole, assuming even a moderate improvement in general business conditions. Our present colossal debt burden has been caused by a disproportionate increase in long term debts in relation to national wealth and income between 1921 and 1929. Our major problems at present is to relieve the debt strain in the few places where it is causing the greatest hardships and preventing normal business operations in certain industries. This scholarly volume is an encyclopedia of causes and cures, effects and defects, written in a simple, lucid style. If you want to understand the credit structure of the United States this book is indispensable. The Twentieth Century Fund deserves the gratitude of business for making this masterly study available at this critical economic time.

—Chester H. McCall.

THE INDUSTRIAL RECOVERY ACT. An analysis by Benjamin S. Kirsh in collaboration with Harold Roland Shapiro, Central Book Co., New York. $2.50.

Today we are blessed—sometimes it may seem an affliction—with the speed of our productive machinery. There has been and is considerable ado about our highly geared productive potentialities. In fact the very "raison d' etre" of this book—the Industrial Recovery Act—arises from our over-productive proclivities.

Evidence of the rapidity with which production can be effected is the book itself. Within one month after the National Industrial Recovery Act, or NIRA as the Washington scribes label it, was signed by President Roosevelt, we have an analysis of some 150 pages neatly turned out in book form. Fortunately it is an analysis worthy of attention because of its brevity, clarity and sanity.

After introductory chapters on the necessity for the Act and an explanation of it, Mr. Kirsh swings into the matter of trade associations and their strengthened position in the new industrial set-up. Here he is on familiar ground for his "Trade Associations: The Legal Aspects" published some years ago revealed him as a definite authority. A skeleton outline of the text of NIRA is a handy inclusion. It may save you the acquisition of a legalistic headache which afflicted this reviewer after a thorough reading of the Act itself.

—Paul Hasse

Among those present:

THE FEDERAL RESERVE ACT by J. Laurence Laughlin. The MacMillan Co., N. Y. $3.50.

The recent special session of Congress legislated the Glass Banking Bill, designed to strengthen still further the Federal Reserve System and American banking in general. Here, in Professor Laughlin's book, is a readable and interesting narrative of the problems connected with the enactment of the first Owens-Glass Bill which created the Federal Reserve System. From its pages we get new glimpses of Messrs. Wilson, Glass, Aldrich, Bryan, McAdoo, Untermyer and other prominent personalities of that day, many of whom are still important in today's events.

Mr. Laughlin's work with The National Citizens' League, sponsoring bank reform in the years prior to the creation of the Federal Reserve System, gives the book a contemporary, personal as well as authoritative flavor.

The speedy hands of the typist *need never leave the keyboard*

THE MOTOR RETURNS THE CARRIAGE

A mere touch of the "return" key which is conveniently located on the keyboard, causes the motor to return the carriage to the starting position, or to any predetermined intermediate point. Spacing to the next writing line is automatic . . . and accurate.

THE MOTOR SHIFTS TO CAPITALS

A light depression of the "shift" key (normally used to shift the platen manually) causes the motor to shift the platen instantly to the upper position. Thus, "shifting" is instantaneous, light and easy . . . the motor does the work.

The keyboard is standard . . . There is no new touch to learn

Think what this new development means in the saving of time and energy; how much faster and easier it makes typing; how it increases production and results in a consistently better grade of work.

Like all Burroughs machines, this new typewriter is built to give long, dependable, economical service. It is guaranteed by Burroughs; it is backed by Burroughs' own worldwide service organization . . . skilled and experienced in servicing electrically controlled Burroughs machines.

Burroughs Electric Carriage Typewriters—as well as all other Burroughs typewriters—are now being displayed at local Burroughs offices. Telephone for a demonstration, or write for illustrated, descriptive folder. Burroughs Adding Machine Company, 6258 Second Boulevard, Detroit, Michigan.

BURROUGHS *Electric Carriage* TYPEWRITER

"This month's collection letter"

By A. P. Plumb, Southern California Music Co., Los Angeles, Cal.

Mr. Plumb believes in the use of a "double-barreled" gun on occasions when he finds the hunting for cash in his "past-due" ledgers a bit slow. He recently used these "double-barrel" shots at his accounts.

Gentlemen:

Theatre box-office receipts testify to the popularity of MYSTERY—for a great magician always "fills the house." Even toy PUZZLES have their wide appeal for "oldsters" as well as "youngsters"; and most of us like CROSS-WORD PUZZLES, and an occasional RIDDLE or two.

For myself, I confess a real enjoyment in such things; but I also confess that when unable to solve the mystery, I DO like to have it explained to me. Quite frankly—I am puzzled now! Will you give me the answer?

Here is the riddle: What did we leave out of our former letters that would have led you either to pay off your long-standing account, or at least to have written us when you WOULD pay? Why is it, that after filling promptly such orders as you gave us, trying indeed to give you the very best of service, you should have ignored so completely YOUR SIDE of the transaction?

YOU alone can solve this MYSTERY for us; and to facilitate your doing so, we are enclosing a business reply envelope.

May we count on your help?

Sincerely yours,

SOUTHERN CALIFORNIA MUSIC COMPANY.

Gentlemen:

No answer has reached us yet, to our frank questions regarding the "riddle" involved in your account with us.

The hardest puzzle we have ever tackled is how to run our business successfully on the money owed us, plus the money we spend trying to collect it. If you can solve it for us, we will gladly mark your account "Paid in Full," and send you anything you may want in our Establishment, with our blessing!

When you purchased the merchandise, we are sure you intended to pay for it when due. Won't you do so NOW, when it is *overdue?*

Thanks, and with best wishes always,

Very truly yours,

SOUTHERN CALIFORNIA MUSIC COMPANY.

For the past several months CREDIT AND FINANCIAL MANAGEMENT has presented good examples of collection letters which have been used successfully in credit department work. These have been offered as a part of the every-day followup of the vigilant credit department. When you turn to your files and note that "this" and "that" account has received a number of statements and letters but still has not responded, why not pass that information along to the Credit Interchange Bureau in your district which is operated as an important feature of the National Association of Credit Men. Such reports coming to your desk from other sources of credit are your guide-posts to the full percentage of profit to which your company is entitled.

It has been proven that the Credit Interchange Bureaus of the National Association of Credit Men are of inestimable value in that modern program: "Let's make money." The interchange of ideas about credit follow-up letters also will "help make money" for you and for the profession. Why not take part in this work?

Send us your best and favorite collection letter for our "collection of collection letters" which we are gathering for readers of CREDIT AND FINANCIAL MANAGEMENT.

A selected series of individual copies of the collection letters which have appeared in CREDIT AND FINANCIAL MANAGEMENT is available upon application. Apply to Miss Mary V. Larkin, Manager, Collection Letter Department, CREDIT AND FINANCIAL MANAGEMENT, One Park Avenue, New York.

Business show draws many visitors

The 38th Annual Convention at Milwaukee found CREDIT AND FINANCIAL MANAGEMENT's advertisers in full force with interesting exhibits of the services and equipment indispensable to credit executives in their daily credit and office management.

This year the N. A. C. M. was represented with a large booth displaying all aspects of its services. Under the direction of Mr. H. E. Chasmar of the national staff, delegates were shown in a graphic manner the dollars and cents values of the Association's departments. Among the services illustrated in the exhibit were presentations on the Credit Interchange Bureaus, the Collection and Adjustment Bureau, the Fraud Prevention Department, the National Institute of Credit, authorized forms for credit use, Credit and Financial Management, the Credit Manual of Commercial Laws, the Foreign Interchange Department, the Industry Credit Group developments, and many other brochures and pamphlets on the various phases of credit Association work.

At the entrance to the Business Show was located the Postal Telegraph Company's exhibit with a reprint of their advertisements of the past year. These illustrated the value to credit men of the Postal Telegraph Company's international system of communications.

Last year the Royal-Liverpool Groups of Insurance Companies had an exhibit at Detroit. It was of such interest to credit men that they repeated it again this year with Mr. Dauwalter in charge of their booth.

The success of the Royal experiment at Detroit prompted the Home Insurance of New York to send their Advertising Manager, Mr. Hicks, to Milwaukee to take charge of the Home exhibit. Mr. Hicks commented on the active interest shown by a great number of delegates in the subject of insurance and assures us that he looks forward to the Convention at Los Angeles next year.

The Hooper-Holmes Bureau, of New York, had a most interesting display designed to give delegates a quick picture of the necessity of securing character credit reports on credit risks. Mr. Edward P. O'Hanlon and Mr. Edward King, Jr., executives of Hooper-Holmes, were present at the Convention as delegates from New York as well as being in charge of the dissemination of information from the Hooper-Holmes booth.

The American Automatic Typewriter Company's display, who many readers will remember from Detroit, was once again the center of interest at Milwaukee. As this machine, working automatically and with very little assistance from its operator, covered page after page with letters, words and sentences, the curiosity of hundreds of dele-

(Above) At right, various displays by departments of National Association of Credit Men. At left Postal Telegraph Co.'s display. (Below) At right Royal-Liverpool groups of insurance companies. At left, various machines displayed by the Burroughs company.

gates as to just how it worked was aroused. It took the full time of Mr. Schultz to acquaint them with the merits of this machine.

The Retail Credit Company of Atlanta, Ga. was represented by Mr. J. S. Roberts, their Advertising Manager. Mr. Roberts renewed his acquaintance with the many credit executives that he met at the Detroit Convention and made a host of new friends for both himself and the Retail Credit Company in Milwaukee. The thoroughness with which this company covers every section of the United States was portrayed by a photostatic listing of the many thousands of points at which they have representatives.

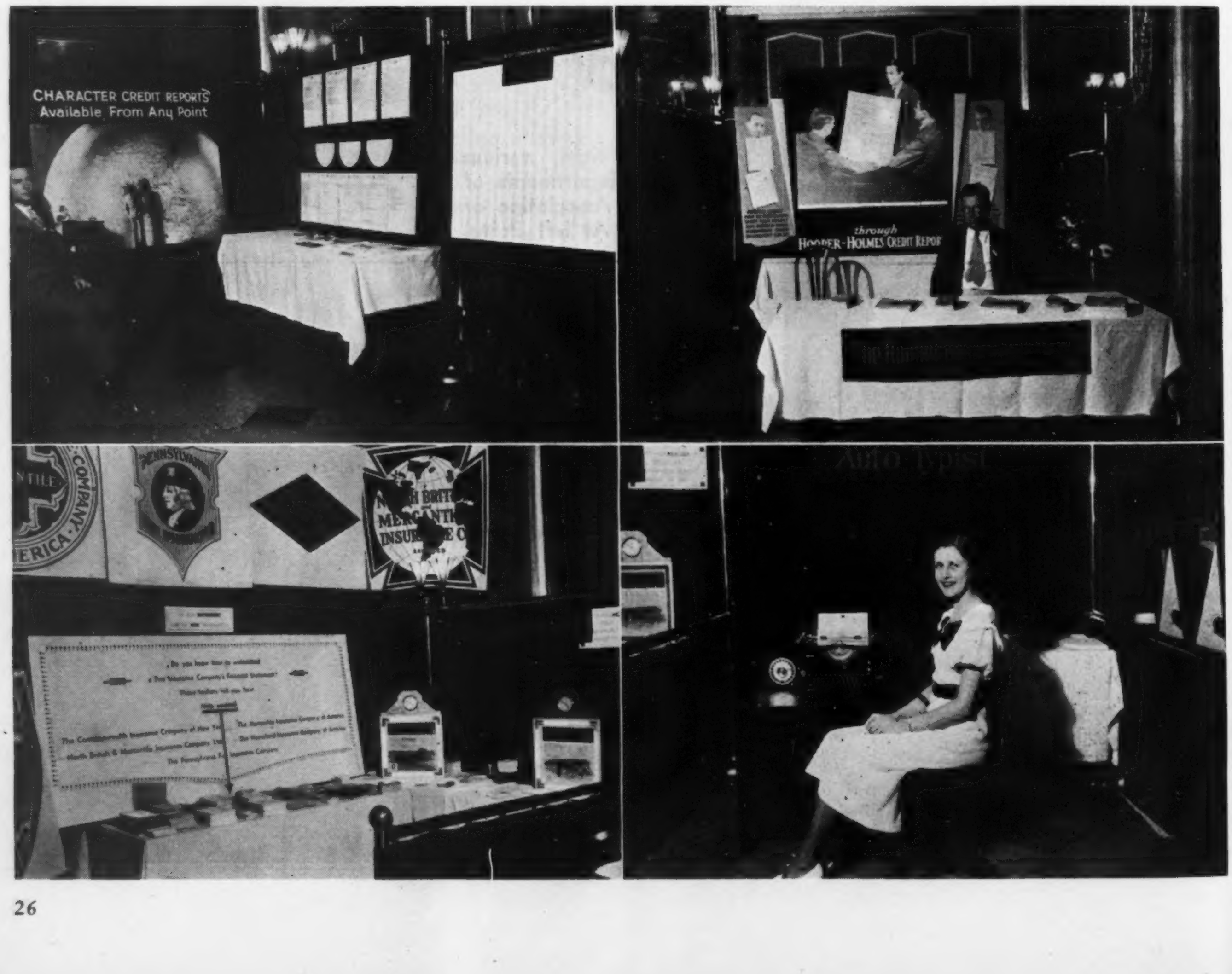
The Burroughs Adding Machine Company, under the leadership of Mr. C. E. Hudspeth, had their usual interesting exhibit of various types of office equipment which do much to lighten the labors of hard-pressed credit executives. One interesting feature of the display was the new Burroughs Cash Register which was shown for the first time to assembled credit men. Its ease of operation and other virtues were a source of many complimentary remarks and should result in assisting the Burroughs Company to distribute this new addition to their line of machines. The new Burroughs typewriter was on display and was used by the Registration Committee with very great success.

(Above) Display arranged by Home Insurance Company

One of the other most highly sought-out points of interest was the booth of the North British and Mercantile Insurance Company with its charts showing how to interpret an Insurance Company's statement and the importance of knowing the financial background of the company you are insured in. Mr. C. W. Hutchinson of Milwaukee was in charge of this booth and he and other representatives of the company were well known to most of the Milwaukee Association membership.

The success of the Business Shows held in conjunction with the Detroit and Milwaukee conventions, indicates this as a permanent feature of future conventions. At these displays members are brought in direct touch with the companies which have been advertising in Credit and Financial Management. It would be a difficult and expensive matter to call at the offices of the delegates, but through the displays at the convention Business Show, these firms are able to make a direct contact with this important group.

(Top row) At left display by Retail Credit Company and at right Hooper-Holmes Bureau, Inc. (Below) North British and Mercantile Insurance Co. and at left Auto Typist display.



WALTER C. FOSTER

Born, February 14, 1884, Washington, D. C.
Died, in New York, July 25, 1933

Walter C. Foster dies suddenly at New York home

Walter C. Foster, affiliated with the National Association of Credit Men in an official capacity for over seven years, died after a brief illness at his home in New York on July 25, 1933. During his long service with the Association, Walter made a legion of friends. His passing is greatly mourned by everyone who knew him . It is a distinct loss to the Association and the credit fraternity.

He was born in Washington, D. C. in 1884 and prepared for college at Friends Select School (now Sidwell's Friends School) at Washington, until 1903. Following this he completed a four years Bachelor of Arts course at the University of Pennsylvania and was graduated in 1907. He next spent three years at Georgetown University, receiving his Bachelor of Laws degree in 1910.

Immediately after his graduation in 1910, he was admitted to the Virginia Bar, practicing law until 1917. On April 17, 1917 Walter entered the service of the Bureau of Investigation of the Department of Justice, remaining with the Bureau until May 5, 1926. Immediately upon entering the Bureau of Investigation work, he was assigned to war espionage duties and special field investigations which he continued until November, 1920. Included in the special investigations he made during this period were the Hog Island Shipyard case, the Muscle Shoals case, and the direction of Northwestern Shipbuilding cases in which more than 20 special agents and accountants were engaged. In November 1920 he became Special Agent in charge of the Bureau of Investigation, Philadelphia office. In May 1925 he became Special Agent in charge of the Pittsburgh office, resigning in May, 1926, to become a special investigator for the Fraud Prevention Department of the National Association of Credit Men.

He served as special investigator for the Fraud Prevention Department until October 13, 1929, during which time he handled the investigations of a large number of commercial fraud cases, including violations of the National Bankruptcy Act and mail fraud violations. On October 13, 1929, he was appointed by the Executive Manager of the Association as Director of the Adjustment and Collection Bureaus Department of the National Association (*Cont. on p. 35*)

"What benefit to me?"

Increaed membership in National Association of Credit Men will mean a more potential dollar value to each other member—Now is the time for membership committees to start active work.

By BRACE BENNITT, Director Membership and Promotion, N.A.C.M.

That old copy book slogan "Now is the time for all good men to come to the aid, etc." particularly applies just at this time to the membership and promotion work of the National Association of Credit Men. With a revival of business being indicated on every hand, the numerous benefits from your credit organization can be the big factor in the net profits to membership during the coming months.

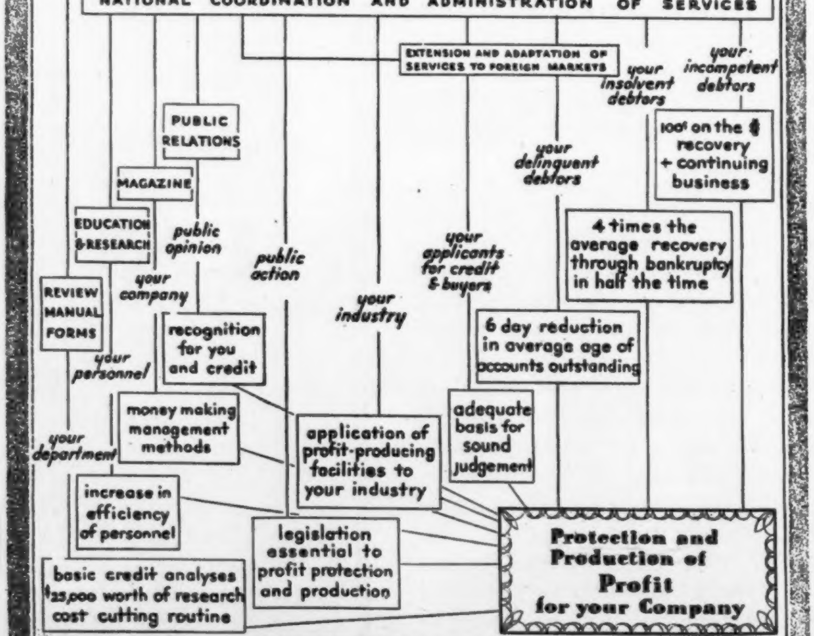
It has been said that the cost of membership consists of a certain number of dollars, plus a certain amount of the members' time in the interests of their organization. The loyalty basis for developing membership strength in an organization is a sound one, and we have much evidence of N. A. C. M. members unselfishly devoting their time to the upbuilding of their organization.

Loyalty is a motive not to be disregarded. But on the other hand, why not be selfish? Veteran members of our organization know that the more members we have, the more valuable becomes the work and services of the Association to them. It needs no great amplification to picture the result in dollars and cents values of every member getting a member, translated in terms of a greater acquaintanceship in the credit fraternity—of added comments on your Interchange reports—of additional coöperation in the problems of collections and liquidation—of the added strength in combating commercial crime.

Looking at the matter again from your side of the desk with "what good will it do me" attitude, most of the Associations are now developing their plans and work for the coming Association year. Committees are being formed and through April, 1934 is being definitely mapped out. Probably the most important committee to be formed will be the Membership Committee, which requires the best sort of calibre for its members. It is true that the Secretary-Manager and his staff are to be depended upon in the sales and promotion work, but the members themselves are often in a position to best contact non-member firms. The Secretary-Manager or staff of course follows up sales closed by the member with specialized instructions as to the use of Association services, but in the final analysis there are many things the member can do in the selling which cannot be done by the professional personnel.

Again, I say from the selfish angle "What good will it do me?" Again, there is the value of business contact in making calls on prospective members. There is also the opportunity, which is all too rare with the credit manager, of developing sales experience, of obtaining the facility of sales conversations, or even in public speaking. There is a development and broadening of the individual that can only come from sales and promotional work and no one will question the value of this to the credit manager who, by the very nature of his work, can very easily become "the man with a desk in the corner."

Just look over the following duties of a Membership Committee (*Cont. on p.* 39)



Secretary Roper points to opportunity facing Credit Men

(*Cont. from p.* 10) Recovery Act should do much to strengthen *ethical standards* in the credit field. Such an eventuality is envisaged in the primary purpose of the Act. The Act will promote efficiency, and will help to cultivate a heightened sense of responsibility. It will be a means of bringing under control those few persons who have participated in credit frauds. In the broad field of economic justice, the Industrial Recovery Act should work to bring about a more equitable balance of opportunity, and a greater equilibrium in competition between the individual enterprises in a given line, a diminution of advantages growing out of special privilege, and a widening of the opportunity for more humble producers. Much of this "corrective beneficence" can and should be accomplished through credit control. And there can be no doubt whatever that *credit-control is a major factor in production control.* Production-control can be fully successful only if credit-control is adequate, discerning, wise.

For illustration, the competitive greed of some in securing new outlets for their products (greed which finds expression in a multiplicity of credit terms and unwarranted credit extension) is, I believe, an erosive influence threatening the firm foundation of American business. The offer of unusually attractive but essentially unsound credit terms to stimulate sales is a dangerous practice. The Commerce Department is impressed by the suggestion of your Association that there has been a grave abuse of the unearned trade discount by failure to limit the discount within the accepted terms of contract in the industry. On occasion, the discount is increased as a subterfuge to avoid disclosure of price-cutting. Predating of invoices, carrying with it some of the features of a consignment business when such practice is not normally followed in the industry, seems to warrant scrutiny. A general "selling of terms", instead of merchandise, is a tendency that may need correction.

We need higher credit standards, uniform credit terms, coordination of credit-information sources, greater cooperation between debtors experiencing financial difficulties and their creditors, and orderly methods of liquidating insolvent concerns.

The restoration of economic prosperity on a permanent basis cannot be accomplished until the abuses of credit have been eliminated.

In considering the "reverse of the medal" in our American credit practices, there exists, especially, one disquieting factor which deserves to be most carefully examined by the members of this Association. I refer to the problem of bankruptcies—with the dubious, devious circumstances that too often lie concealed behind the surface-facts disclosed in the bankruptcy courts.

Early in the present year, an illuminating study of bankruptcies among consumers was issued by the Department of Commerce—the first survey of the kind ever undertaken in America. Some startling facts are brought out. That study showed that an almost unbelievably small amount was received by the creditors in such bankruptcy cases. The average was only six-hundredths of 1 per cent of the claims. This condition vitally concerns the credit departments of our retail stores.

There was, for instance, a bankrupt who made $35 per week as a saleswoman in a department store, but who managed to secure, in one year's time, almost $2,200 worth of apparel—*all on credit*. One merchant was asked by the referee why he had sold this young lady $120 worth of shoes on credit. He replied (and I now quote directly from the evidence) that "she was so good-looking and had such an honest face that he made no investigation of her ability to pay". I cannot help thinking, also, of the man who was known to be living far beyond his means but who was nevertheless able to have $862 worth of clothing charged at one department store within a period of two months prior to his bankruptcy. We came across the case of another bankrupt who obtained on credit, within a relatively short time, a variety of articles which included—to the astonishment of our investigators—no less than *three* fur coats and *two* grand pianos; his salary was $40 a week, and his assets were *nil*.

Secretary Roper points to—

federal survey facts to prove necessity for use of Credit Bureau data.

Comparable conditions prevail with respect to commercial bankruptcies. "Failure studies" reveal that more failures occur through inefficient management than any other cause. Too much capital tied up in "accounts receivable" seems to be one of the principal forms of inefficient management. One study revealed that 85 per cent of the failed establishments examined did not use credit bureaus; another study showed that 95 per cent of them did not use credit bureaus. Indiscriminate granting of credit *to* the bankrupts by creditors enabled many to start a business in which failure was inevitable. Three hundred and fifty principal creditors admitted that they did not know the causes of failure in 249 of their debtor concerns. Fifty-three per cent of the insolvent owners had difficulty in paying creditors for periods as long as seven months to *two years* prior to their bankruptcy—so we see that the credit men of the creditor houses should have had *ample warning*.

In individual cases, the facts indicate an attitude that verges upon recklessness. They appear to show, also, that the investigation of risks often falls short of complete adequacy; credit men, in a good many instances, do not take sufficient pains to ascertain the actual standing, reputation, and customary behavior of the applicant for credit. An impartial observer cannot but conclude that it would be beneficial to have a greater degree of consultation and candid "exchange of experiences" between credit men who "cover the same ground". If such policies were instituted or substantially enforced, it would not be so easy for wastrels, frauds, and incompetents to violate the confidence imposed in them by the credit system.

Now friends and fellow Americans, in conclusion let me say, we have just closed a very remarkable legislative period. We are prone to feel that our responsibilities have ceased when laws in which we are interested have been written on the statute books. As a matter of fact, much greater potentialities rest in the administration than in the phraseology of a law. We are now to demonstrate whether we can administer these new laws so as to bring to the people the results so earnestly desired. The purposes of the laws are so clearly for the best interest of all concerned that our people will not fail to cooperate in efforts to secure honest, wise and just administration. The whole world today looks to us for leadership out of a world cataclysm and we must not fail to sustain the leadership of (*Cont. on page* 31)

Roster of N. A. C. M. affilated associations

as of August 1, 1933

NATIONAL OFFICERS

President
ERNEST I. KILCUP
Davol Rubber Company
Providence, R. I.

Vice-Presidents:

P. M. MILLIANS
Ernest L. Rhodes Co., Inc.
Atlanta, Ga.

J. M. RUST
Union Oil Company of California
Los Angeles, Calif.

F. J. HOPKINS
Janney-Semple-Hill & Co.
Minneapolis, Minn.

Executive Manager, Secretary & Treasurer
HENRY H. HEIMANN
1 Park Avenue
New York, N. Y.

ALBANY, N. Y.—Eastern New York Assn. of Credit Men. Sec., Charles V. Legge, Post Office Box 725.

ALLENTOWN, PENN.—Lehigh Valley-Berks Credit Assn. Exec. Sec.-Man., J. H. J. Reinhard, 501-503 Hunsicker Bldg.

ALTOONA, PENN.—Credit Assn. of Western Penna. Dist.-Man., Paul A. Kerin, 1413 11th Ave.

ATLANTA, Ga.—Atlanta Assn. of Credit Men. Sec.-Man., F. H. Sned, 305 Chamber of Commerce Bldg.

AUSTIN, TEXAS—Austin Wholesale Credit Mens' Assn. Sec.-Man., H. C. Barnhart, Post Office Box 1016.

BALTIMORE, MD.—Baltimore Assn. of Credit Men. Sec. & Exec. Man., Ira L. Morningstar, 301 W. Redwood St.

BELLINGHAM, WASH.—Bellingham Assn. of Credit Men. Sec.-Man., W. F. Fisher, First Nat'l Bank Bldg.

BILLINGS, MONT.—Montana-Wyoming Assn. of Credit Men. Sec.-Man., M. J. Davies, 411-412 Stapleton Bldg.

BINGHAMTON, N. Y.—Binghamton Assn. of Credit Men. Sec., Miss Bess R. Havens, 66 Chenango St.

BIRMINGHAM, ALA.—Birmingham Credit Mens' Assn. Sec., R. H. Eggleston, 320-325 Lincoln Bldg.

BLUEFIELD, W. VA.—Bluefield Assn. of Credit Men. Sec.-Treas., Clyde B. Smith, Post Office Box 449.

BOISE, IDAHO—Boise Assn. of Credit Men, Ltd. Sec.-Man., H. L. Streeter, Post Office Box 418.

BOSTON, MASS.—Boston Credit Mens' Assn. Sec., J. M. Paul, 38 Chauncy St.

BRIDGEPORT, CONN.—Connecticut Assn. of Credit Men. Care of American Fabrics Co. Sec., J. E. Kohler, Connecticut Ave. 1069.

BRISTOL, VIRGINIA—Bristol Assn. of Credit Men. Sec., George D. Helms, Post Office Box 333.

BUFFALO, N. Y.—Credit Assn. of Western N. Y. Sec.-Treas., Ira D. Johnson, 544-552 Gerrans Bldg.

BURLINGTON, IOWA—Burlington Assn. of Credit Men. Sec.-Treas., Jesse L. Thomas, 515 Iowa State Bank Bldg.

CEDAR RAPIDS, IOWA—Cedar Rapids Assn. of Credit Men. Sec., Milo H. Hanzlik, 615-624 Higley Bldg.

CHARLESTON, W. VA.—Charleston Assn. of Credit Men. Sec., Ira W. Belcher, Room 402—804 Quarrier St. P. O. Box 561.

CHARLOTTE, N. C.—Carolina Assn. of Credit Men. Sec., E. C. Fearrington, 306 Commercial Bank Bldg.

CHATTANOOGA, TENN.—Chattanooga Assn. of Credit Men, Sec.-Treas., Clarence H. McCollum, 1115 Hamilton Nat'l Bank Bldg.

CHICAGO, ILL.—Chicago Assn. of Credit Men. Sec., J. F. O'Keefe, 1400 Midland Bldg., 176 West Adams St.

CINCINNATI, OHIO—Cincinnati Assn. of Credit Men. sec.-Gen.-Man., John L. Richey, Temple Bar Bldg.

CLARKSBURG, W. VA.—Central West Virginia Credit and Adjustment Bureau. Sec.-Man., U. R. Hoffman, 410 Union Nat'l Bank Bldg.

CLEVELAND, OHIO—Cleveland Assn. of Credit Men. Sec., Hugh Wells, 410 Leader Bldg.

COLUMBUS, OHIO—Credit Assn. of Central Ohio. Man., W. G. Hills, Chamber of Commerce Bldg., East Broad St.

DALLAS, TEX.—Dallas Wholesale Credit Men's Assn. Sec.-Man., M. L. Barnett, 322 Santa Fe Bldg.

DAVENPORT, IOWA—Tri-City Credit Men's Assn. Sec., H. B. Betty, First Nat'l Bank Bldg.

DAYTON, OHIO—Dayton Assn. of Credit Men. Sec.-Man., Leo J. Bouchard, 40 Hamiel Bldg., Fifth & Ludlow Sts.

DENVER, COLO.—Rocky Mountain Assn. of Credit Men. Sec.-Man., J. B. McKelvy, Suite 626-635-810—14th St.

DES MOINES, IOWA—Des Moines Credit Men's Assn. Sec.-Treas., Don E. Neiman, 820 Valley Nat'l Bank Bldg.

DETROIT, MICH.—Detroit Assn. of Credit Men. Sec.-Mgr., O. A. Montgomery, 1282 First Nat'l Bank Bldg.

DULUTH, MINN.—Duluth-Superior District Credit Assn. Sec.-Treas., E. G. Robie, 501-4 Christie Bldg.

ELMIRA, N. Y.—Elmira Assn. of Credit Men. Sec., F. H. Jeffers, Robinson Bldg.

EL PASO, TEX.—Tri-State Assn. of Credit Men. Acting Sec., J. C. Fraser, 620 Caples Bldg.

EVANSVILLE, IND.—Evansville Assn. of Credit Men. Sec., A. H. Oschmann, 504 Furniture Bldg.

FARGO, N. D.—Fargo-Moorehead Assn. of Credit Men. Sec.-Treas., J. N. Jensen, 60½ Broadway.

FLINT, MICH.—Flint Association of Credit Men. Sec.-Mgr., H. E. Rachar, 308 Paterson Bldg.

FOND DU LAC, WISC.—Fond du Lac Assn. of Credit Men. Sec., L. N. Richter, Post Office Box 213.

FORT WAYNE, IND.—Fort Wayne Assn. of Credit Men. Sec., Fred K. White, 314 Transfer Bldg.

FORT WORTH, TEX.—Fort Worth Assn. of Credit Men. Sec., C. O. Baker, Post Office Box 1584.

GRAND FORKS, N. D.—Grand Forks Assn. of Credit Men. Sec.-Treas., John Vallely, Security Bldg.

GRAND RAPIDS, MICH.—Grand Rapids Assn. of Credit Men. Sec., Edward De Groot, 602 Association of Commerce Bldg.

GREAT FALLS, MON.—Northern Montana Assn. of Credit Men. Secy.-Exec.-Mgr., Frank E. McDonnell, Post Office Box 1784.

GREEN BAY, WISC.—Northern Wisconsin-Michigan Assn. of Credit Men. Sec.-Mgr., R. C. Creviston, 200 Northern Bldg.

HARRISBURG, PA.—Harrisburg Assn. of Credit Men. Sec., Earl V. Glace, Care of Devine & Yungel Shoe M. Co., 16th and Elm Sts.

HARTFORD, CONN.—Hartford Assn. of Credit Men. Sec.-Treas., E. J. Sather, Care of Colt's Parent Fire Arms Manufacturing Co.

HELENA, MONT.—Helena Assn. of Credit Men. Sec., P. G. Schroeder, Room 9, Pittsburgh Block.

HONOLULU, T. H.—Honolulu Assn. of Credit Men. Sec., N. B. Young, 316 S. M. Damon Bldg.

HOUSTON, TEX.—Houston Assn. of Credit Men. Sec.-Mgr., Morris D. Meyer, 433 First Nat'l Bank Bldg.

HUNTINGTON, W. VA.—Tri-State Assn. of Credit Men. Sec.-Treas., C. C. Harrold, 228 First Huntington Nat'l Bank Bldg.

INDIANAPOLIS, IND.—Indianapolis Assn. of Credit Men. Exec-Mgr., Merritt Fields, Peoples Bank Bldg.

JACKSON, MICH.—Jackson Assn. of Credit Men. Sec.-Treas., J. H. Acton, Care of I. M. Dach Co., 301-311 North Jackson St.

JACKSONVILLE, FLA.—Credit Assn. of Northern Florida. Sec., Frank B. Morton, 201 Graham Bldg., or Post Office Box 4667.

JAMESTOWN, N. Y.—Jamestown Assn. of Credit Men. Sec., L. M. Vaughn, 210 Cherry St.

JOHNSTOWN, PA.—Credit Assn. of Western Pa. Dist. Mgr., S. I. Lasner, 634 Swank Bldg.

KALAMAZOO, MICH.—Credit Assn. of Southwestern Michigan. Sec.-Mgr., Ralph H. Johns, 306 Commerce Bldg.

KANSAS CITY, MISS.—Kansas City Assn. of Credit Men. Exec.-Mgr., C. L. Davies, 5th Floor Carbide & Carbon Bldg., 912 Baltimore Ave.

KNOXVILLE, TENN.—Knoxville Assn. of Credit Men. Sec.-Mgr., W. A. DeGroat, 304 New Sprankle Bldg., 508 Union Ave., P. O. Box 256.

LANSING, MICH.—Lansing Assn. of Credit Men. Sec., Lee H. Vaughn, Care of Dudley Paper Co., 740 East Shiawasse St.

LEXINGTON, KEN.—Lexington Credit Men's Assn. Sec., E. M. McGarry, 506 Security Trust Bldg., Short and Hill Sts.

LINCOLN, NEB.—Lincoln Assn. of Credit Men. Sec.-Treas., Guy C. Harris, P. O. Box 1039.

LITTLE ROCK, ARK.—Little Rock Assn. of Credit Men. Sec.-Mgr., Mrs. L. B. Periman, 220 Gay Bldg.

LOS ANGELES, CALIF.—Los Angeles Assn. of Credit Men. Sec.-Mgr., S. P. Chase, 111 West 7th St.

LOUISVILLE, KY.—Louisville Credit Men's Assn. Sec.-Mgr., S. J. Schneider, Speed Bldg., 333 Guthrie St.

LYNCHBURG, VA.—Lynchburg Assn. of Credit Men. Sec.-Treas., S. H. Wood, Lynch Bldg.

MACON, GA.—Macon Assn. of Credit Men. Sec., C. E. Golden, 313 Grand Bldg.

MEMPHIS, TENN.—Memphis Association of Credit Men. Sec.-Mgr., E. C. Correll, 206 Randolph Bldg., or Post Office Box 344.

MILWAUKEE, WISC.—Milwaukee Assn. of Credit Men. Sec.-Mgr., J. G. Romer, 632 Milwaukee Gas Light Co., Bldg.

MINNEAPOLIS, MINN.—Minneapolis Assn. of Credit Men. Sec.-Treas., H. S. Holbrook, 420 Rand Tower.

NEWARK, N. J.—New Jersey Assn. of Credit Men. Sec.-Mgr., W. H. Whitney, 17 William St.

NEW CASTLE, PA.—New Castle Assn. of Credit Men. Sec.-Treas., R. A. Cooper, 17 East North St.

NEW HAVEN, CONN.—New Haven Assn. of Credit Men. Sec., George H. Priess, Care of Winchester Arms Co.

NEW HAVEN, CONN.—Connecticut Assn. of Credit Men. Asst.-Sec.-Mgr., Miss V. B. Dickerman, 23 Temple St.

NEW HAVEN, CONN.—Connecticut Assn. of Credit Men. Adjustmen Bureau, Mgr., E. N. Dietler, 23 Temple St.

NEW ORLEANS, LA.—New Orleans Credit Men's Assn. Sec.-Treas., C. G. Cobb, 1007 Queen and Crescent Bldg., Camp St. and Natchez Place.

NEW YORK, N. Y.—New York Credit Men's Assn. Sec., W. W. Orr, 468 Fourth Ave.

NORFOLK, VA.—Norfolk-Tidewater Assn. of Credit Men. Sec., M. P. Hardy, 319 Citizen's Bank Bldg.

OAKLAND, CALIF.—Oakland Assn. of Credit Men. Sec.-Mgr., Kenneth S. Thomson, Central Bank Bldg.

OKLAHOMA CITY, OKLA.—Oklahoma Wholesale Credit Men's Assn. Sec., E. E. Barbee, 901 Cotton-Grain Exchange Bldg.

OMAHA, NEB.—Omaha Assn. of Credit Men. Exec.-Mgr., G. P. Horn, Sunderland Bldg., 15th and Harney Sts.

OSHKOSH, WISC.—Central Wisconsin Assn. of Credit Men. Sec., Charles D. Breon, 311 First Nat'l Bank Bldg.

OTTUMWA, IOWA—Ottumwa Assn. of Credit Men.

PARKERSBURG, W. VA.—Parkersburg-Marietta Assn. of Credit Men. Sec., J. W. Wandling, Care of Dun & Bradstreet, Inc.

PEORIA, ILL.—Peoria Assn. of Credit Men. Sec ? ? 317 South Jefferson St.

PHIALDELPHIA, PA.—Philadelphia Assn. of Credit Men. Sec.-Treas., Samuel Ardron, Jr., Cunard Bldg., 220 South 16th St.

PHOENIX, ARIZ.—Arizona Assn. of Credit Men. Sec., Lyle Owens, 314 Title and Trust Bldg.

PITTSBURGH, PA.—The Credit Assn. of Western Pennsylvania. Exec.-Man., H. M. Oliver, 9th St. and Penn Ave., Westinghouse Bldg.

PORTLAND, ORE.—Portland Assn. of Credit Men. Exec.-Sec., James E. Breed, Gen.-Mgr., E. W. Johnson, 471 Pittock Block.

PROVIDENCE, R. I.—Rhode Island Assn. of Credit Men. Exec.-Sec.-Man., C. E. Austin, 87 Weybosset St.

PUEBLO, COLO.—Pueblo Assn. of Credit Men. Sec.-Treas., H. S. Petersen, 311 Thatcher Bldg.

QUINCY, ILL.—Quincy Assn. of Credit Men. Sec., W. V. Petry, 505 Washington St.

RICHMOND, VA.—Richmond Assn. of Credit Men. Sec., J. P. Abernethy, 305 Travelers Bldg., P. O. Box 1178.

ROANOKE, VA.—Roanoke Assn. of Credit Men. Sec., H. W. Hobson, Care of Roanoke City Mills, Inc.

ROCHESTER, N. Y.—Rochester Assn. of Credit Men. Exec.-Sec.-Mgr., Thomas E. McCallon, Suite 408, 34 State St.

SAGINAW, MICH.—Northeastern Michigan Assn. of Credit Men. Sec.-Treas., O. J. Pelletier, care of Farmer & Daily Bay City.

ST. JOSEPH, MO.—St. Joseph Assn. of Credit Men. Sec., L. D. Harvey, Smith Bros. Mfg. Co.

ST. LOUIS, MO.—St. Louis Assn. of Credit Men. Sec.-Treas.-Mgr., Orville Livingston, 800 Commercial Bldg.

SAINT PAUL, MINN.—Saint Paul Assn. of Credit Men. Sec.-Treas., T. E. Reynolds, 801 Guardian Bldg., 4th and Minn. Sts.

SALT LAKE CITY, UTAH—Inter-Mountain Assn. of Credit Men. Sec.-Mgr., Robert Peel, 1411 Walker Bank Bldg. P. O. Box 866.

SAN ANTONIO, TEX.—San Antonio Wholesale Credit Men's Assn. Sec., H. A. Hirshberg, 1619 Alamo Nat'l Bldg.

SAN DIEGO, CAL.—San Diego Wholesale Credit Men's Assn. Sec.-Mgr., Lawrence Holzman, Bank of America Bldg.

SAN FRANCISCO, CAL.—Credit Mgrs. Assn. of Northern and Central California. Sec.-Mgr., O. H. Walker, 333 Montgomery St.

SEATTLE, WASH.—Seattle Assn. of Credit Men. Sec.-Mgr., C. P. King, 7th Floor Alaska Bldg.

SHREVEPORT, LA.—Shreveport Wholesale Credit Mens Assn. Sec.-Treas., John A. B. Smith, 212 Ardis Bldg., or P. O. Box 371.

SIOUS CITY, IOWA—Interstate Assn. of Credit Men. Exec.-Mgr., P. A. Lucey, Badgerow Bldg., or Post Office Box 748

SIOUX FALLS, S. D.—Sioux Falls Association of Credit Men. Sec., W. J. Warren, care of Dunn & Bradstreet, Inc.

SOUTH BEND, IND.—South Bend Assn. of Credit Men. Sec.-Mgr., E. J. Payton, New Times Bldg., 2nd Fl. Suite 5-6.

SPOKANE, WASH.—Spokane Merchants Assn. Sec., J. D. Meikle, 718 Realty Bldg.

SPRINGFIELD, ILL.—Springfield Assn. of Credit Men. Sec., Miss Eda Mueller, Asst. Sec., Louise Murphy, Care of Geo. A. Mueller Co., Chamber of Commerce Bldg.

SPRINGFIELD, MASS.—Western Massachusetts Assn. of Credit Men. Mgr., H. E. Morton, 616 State Bldg.

SYRACUSE, N. Y.—Syracuse Assn. of Credit Men. Sec., Stanley R. Barker, 208 Herald Bldg.

TACOMA, WASH.—Tacoma Assn. of Credit Men. Sec., E. B. Lung, Tacoma Bldg., or Post Office Box 1346.

TAMPA, FLA.—Tampa Assn. of Credit Men. Sec., S. B. Owen, 4-6 Roberts Bldg., or Post Office Box 2128.

TERRE HAUTE, IND.—Terre Haute Assn. of Credit Men. Sec., Edward K. Strachan, 532 Grand Opera House Bldg.

TOLEDO, OHIO—Toledo Assn. of Credit Men. Exec.-Mgr., George B. Cole, 622 Madison Ave.

TRENTON, N. J.—Central Jersey Division New Jersey Assn. of Credit Men. F. E. McKenzie, 229 East Hanover St.

TULSA, OKLA.—Tulsa Credit Men's Assn. Sec.-Mgr., Collis L. Teale, Daniels Bldg., 9th Floor, Third and Boston Sts., P. O. Box 466.

UNIONTOWN, PA.—Credit Association of Western Pa. Dist.-Mgr., F. W. Mossier, 704-5 2nd Nat'l Bank Bldg.

UTICA, N. Y.—Utica Assn. of Credit Men. Sec.-Mgr., Harmon R. Eggers, 36-39 Martin Bldg.

(*Continued on page 31*)

Secretary Roper points to opportunity facing credit men

(Cont. from page 29) our country that will protect this confidence and hope. World leadership should look to assurances against war, the material curtailment of armaments, the promotion of a more liberal economic attitude, the acknowledgment of our international interdependence and provision for national and international planning.

Nationally, we should as now concern ourselves first with the task of getting a large percentage of the unemployed back to work, and planning new lines for those who cannot be restored to their form of employment. In these vital tasks, your Association has great duties and great responsibilities. Credit men can aid in combating the spirit of extravagance among our people; they can strengthen movements for ethical standards; they can promote economic justice. You can thus play an outstanding and constructive part in the greatest cooperative effort in all history. I rejoice with you in this great opportunity for public service, and confidently believe you will meet constructively the duties and responsibilities that await your Association and its individual members.

N. A. C. M. officers and branches

(*Continued from page* 30)

WACO, TEX.—Waco Assn. of Credit Men. Sec., E. G. Lilly, Care of Citizens National Bank.
WASHINGTON, D. C.—Washington Assn. of Credit Men. Sec.-Mgr., A. L. Birch, 755 Munsey Bldg.
WATERBURY, CONN.—Waterbury Assn. of Credit Men. Sec., L. S. Fitch, 36 North Main St.
WATERLOO, IOWA.—Waterloo Assn. of Credit Men. Sec., J. E. Jordan, 214 Marsh-Place Bldg.
WHEELING, W. VA.—Wheeling Assn. of Credit Men. Sec.-Mgr., E. K. Pfeil, 913 Hawley Bldg.
WICHITA, KANSAS—Wichita Assn. of Credit Men. Exec.-Mgr., M. E. Garrison, First Nat'l Bank Bldg.
WICHITA FALLS, TEX.—Wichita Falls Assn. of Credit Men. Sec., John W. Thomas, 804 Eighth St., or Post Office Box 368.
WILKES-BARRE, PA.—Wilkes-Barre Assn. of Credit Men. Sec., George H. McDonnel, 606 Brooks Bldg.
WORCESTER, MASS.—Worcester County Assn. of Credit Men. Sec., A. M. Pierce, Care of Gilman & Moffitt, 207 Main St.
YOUNGSTOWN, OHIO—Youngstown Assn. of Credit Men. Sec., O. E. Johnson, Mahoning Bank Bldg.

Annual report of N.A.C.M. activities

(*Cont. from page* 21) loyal support and assistance which has at all times been given to me by the officers and Board of Directors of the National Association, by the local Secretaries and by the membership as a whole, and to add to that a public word of appreciation for the conscientious service rendered during the past year by the staff members and personnel, both in the local offices and in the National office.

In common with all business organizations, the National Association of Credit Men has been affected by generally depressed conditions. However, I believe that I can report to you honestly that we are emerging from these conditions with bright prospects for the future, with a representative membership more thoroughly conversant with the value of Association services, with some advance towards greater financial stabilitly, with increased recognition on the part of government and business of the valuue of our organization and with general improvement in efficiency and standing of our service departments.

The foundation is laid for an even stronger structure of value to credit executives and to business interests than in past years. This is your Association! Its possibilities are vast. The realization of those possibilities will, in the last analysis rest upon your shoulders with the assurance that we, of the National and local staffs and personnel, will work whole-heartedly and enthusiastically with you for the realization of our hopes and ambitions for the National Association of Credit Men.

Accounting forum

An open clearing-house of ideas and news for credit executives by accountants.

THE ACCOUNTANT AS A HELP TO THE BUSINESS MAN

By I. B. McGladrey, C.P.A. Cedar Rapids, Iowa.

Neither the accounting system of a business nor the reports and analyses of practicing professional accountants can of themselves produce a dollar in profits. Why, then, does the business world, which is interested primarily in profits, take a continuously increasing interest in its accounting problems?

Judge William Clark, of the United States District Court of New Jersey, has handled many cases of bankruptcy. In conjunction with an investigation of the causes of business failure by the United States Department of Commerce, the Yale Institute of Human Relations, and the Yale Law School, he has made of his court a kind of clinic for sick business.

The six principal reasons for such failures were found to be:

1. Failure to keep proper accounting records.
2. Negligence in applying accounting facts.
3. Improper diversion of funds from the business.
4. Giving too much credit.
5. Accepting too much credit.
6. Error in judgment.

These causes were revealed by a scientific analysis of thousands of actual cases. They were listed, in the order of importance shown above, not by accountants who might be thought to have had an axe to grind, but by a judge experienced in bankruptcy cases, by lawyers, and by research professors.

If you should ask a business friend as to what he considers the two outstanding reasons for a concern to start the toboggan, the chances are about nine out of ten that he will reply, "Oh, giving too much credit and using poor judgment." And yet these popularly considered reasons actually rank only fourth and sixth respectively.

In spite of the persistency of popular fallacies as to the main reasons for not making reasonable net profits and for insolvency, the realization is gradually increasing that adequate books of accounts and a proper analysis of operations and financial position through reports of professional accountants are like the compass of a ship.

The compass does not add a foot pound to the driving power of the engines, nor a particle of strength to the hull, but its pointing needle not only enables the captain to steer safely through a thousand dangerous shoals, but helps to keep the ship on a straight course, which saves fuel, time and money.

And that's the answer to the question in the first paragraph.

Great Britain and Canada require the books of all corporations to be audited at least once annually, and corporate failures in both countries are only a fraction of what they are in the United States.

Some business men still snort at the mention of an audit, and counter with, "I don't need an accountant to tell me how to run my business!" In this they are quite right. No accountant is capable of doing that. All the accountant can do is to furnish, by reason of his specialized knowledge of accounting, the facts by which the business man can properly decide what is best to do. In other words, he furnishes the compass by which the captain steers the ship.

While business failures may be useful "to point a moral or adorn a tale," their prevention is not enough. Warding off death for an individual would not be satisfactory if he were compelled to live an anemic invalid. Business health should be the goal rather than avoidance of bankruptcy.

The same six causes for bankruptcy previously mentioned are also responsible for many more business concerns not enjoying good financial health. And this is the phase in which we should be most interested.

Satisfactory net profits are essential to any business. Even the Rotary motto, "Service above self—He profits most who serves best," does not preclude the idea of profit being a fundamental necessity for business. Nay, it requires such a concept; for without requisite profits no business can long continue to render satisfactory service.

On the other hand, a conscientious observance of the Rotary principle will greatly enhance profits, because, unless the business or professional man learns to subordinate his selfish ideas for the good of his business and endeavors to render the best service in his power, he will not enjoy a satisfactory profit very long.

The man who is responsible for the operation of a business frequently continues without adequate knowledge of his costs or the underlying trends of his business. He often has an uneasy feeling that he needs a better "compass," but fears the expense of engaging professional accountants.

His hesitancy is well founded. Some accountants do not have the proper perspective as to the relation the cost of accountants' services should bear to other expenses of operation. It is obvious that bookkeeping, cost finding, and business analyses do not of themselves make a dollar of profits. Their cost, therefore, should be held to the minimum consistent with safety.

But below the safety limit such costs should not go. As has been found by careful research, the principal reason for failure to realize a satisfactory net profit, in fact, the outsanding cause for bankruptcy, is the lack of the knowledge supplied by such agencies.

The principle which both business man and accountant should consider is that accounting services ought to be measured strictly by their practical benefit to the business as a profit-making institution. If a more extensive employment of such services will assist the business man to make a greater actual net profit (or, in days like these, to reduce the losses) they should be used, but if not they should be curtailed or discarded as the actual results warrant.

One reason why the services of professional accountants are so helpful to the business man in this connection is that he brings to the task both a specialized knowledge gained by constant work in this field, and what is fully as important, he has a disinterested, outside viewpoint.

Robert Burns asks that some power give us the gift "to see oursel's as ithers see us." The outside auditor brings this gift to the business executive, as far as the operation of his business is concerned.

The auditor must reflect the facts in his report exactly as he finds them, without fear or favor. His report is therefore of great value for use in furnishing unbiased information for third parties, such as banks and other sources of credit, investors, *(Cont. from page 34)*

N. I. R. A. Provides Business Traffic Signal System

(*Cont. from page* 15) act affords business the opportunity of real self-government through codes of fair competition, it offers an alternative in the shape of agreements which must be approved. It proposes to provide codes for those who will not set up codes for themselves, and it provides the President with a big stick in the shape of a license provision. It is believed, myself among the believers, that the very existence of this big stick, the knowledge that it will be used if necessary, will make it virtually unnecessary to use it at all.

As with any piece of legislation, we can find flaws in it. It is not perfectly drawn. Unwisely administered, or if subjected to political influences, it might do much harm. But, that is true in some measure of any law, and our conditions require something of a major operation. The alternative is something far worse. Make no mistake about that.

With the provisions of the bill, beyond the brief statement above, I shall not go. I am concerned in pointing out its probable effect and significance, with persuading you, if I can, that the fundamental change in philosophy which it requires is essential to our national welfare.

In the net, this bill does for business what traffic rules have done for the automobile.

Thirty-three years ago, when the first automobile drove down the street in front of our home in Chicago, the auto driver would have been horrified to receive a list of 42 rules which must be observed in driving down that same street today.

He must not stop within 20 feet of a fire-plug, even though that plug were not used once in ten years; he must stop for a red light, even though there were no other car in sight, etc., etc. "What, interfere with my personal freedom to such an extent? I would rather not drive!" So he might have exclaimed thirty-three years ago.

But today he could not drive in safety without those same rules. We have limited individual freedom in the driving of automobiles, only to enlarge true driving liberty in a society that travels on rubber wheels. We have limited freedom in driving in order to make driving possible at all.

Need you really fear governmental control of business through this new act?

Do you think that Washington can run the business of this country to the extent of stepping into your office to tell you just what to do and how to do it? Think of the immensity of such a task and you will recognize the impossibility of it, and perhaps concede the good sense of men like General Johnson in not even trying to do it.

There are over sixteen thousand groups or associations in the country. It will be necessary for groups to merge in larger and more inclusive units, with logical ties, even to permit of any kind of effective supervision.

In effect, I believe General Johnson will say to any industry, "Here, you fellows get together and organize your own industrial government within the limits permitted by this law. You run your own industry, and if you need help to make your laws stick and work, call on me and I'll help you."

Efficient administrator that he is, he knows too well the dangers inherent in detail and controversy to attempt the impossible. He is himself too sturdy an individualist to destroy individualism. But he will curb it within healthy limits, he will back up a sensible and fair majority against a destructive minority. He will aid us in setting up a law-merchant under which business can live, let live and prosper.

With respect to labor, the law recognizes rights that already exist. Many do not like these provisions, but there they are, and the best way to defeat trouble and dissensions is to foresee and prevent it. A truly fair deal is the surest preventive of labor troubles. And the deal can be fair only if it is equitably uniform. We shall not be dropped into the lap of labor agitators or communists. No one, least of all the Federal Government, can afford to drop us there.

To me this spells the beginning of a new era. It means the enlargement of true liberty and opportunity, the setting up of rules for the game which will make it safe for us all to play fairly, rules which will encourage the use of black instead of red, for all of us.

Nor does this mean that we shall penalize efficiency or artificially support the undeserving inefficient. It does mean that the average man and the average business, both, shall have a deserved opportunity to survive and prosper reasonably.

It means that we can now eliminate many of the bad practices that have all but destroyed business, multiplied waste and discouraged natural initiative. It means that credits can be handled cooperatively, as they should; that men will yield an occasional advantage for preferential gains from creditors, for the sake of greater compensating benefit through group action.

Our mines, our forests, our fields, our factories, our people,—they are still there. The lessons of the past will not go unregarded. Common honesty has not disappeared from the face of the earth. Faith can still be ours; we can still work; yes, if we will, we can still pray.

The heroism that carried our people through the past four years is still ours. We may not yet fully understand; we may even somewhat misapprehend. We are not yet out of the woods; it may take a long time to effect the necessary adjustment. We shall have to work, to bear and forebear, to give as well as take. But we shall survive and reach greater and happier heights than we have yet known. Believe it or not we shall survive even the National Industrial Recovery Act.

Accountant as a business aid

(*Cont. from page* 32) trade creditors, inactive partners, or stockholders, courts, and so forth.

Another field of great importance where the accountant may be of service to business is in that of taxation. Since taxes are at such a high figure it is important to be sure that no more than the correct amount is assessed. Particularly with reference to income taxes does the question of proper accounting enter into the matter of taxation. The practicing accountant must be thoroughly familiar with income tax laws, regulations, and decisions, and must keep his tax service up to date.

Still another phase that the business man sometimes pays dearly for overlooking is the protection against defalcation and fraud which periodical audits afford. Such audits act as a warning against employees or officers forgetting the line between "mine and thine," and if they do forget, nip the defalcation in the bud.

A man came into my office one morning and asked to have us start an audit at once of a concern in which he owed most of the stock. He said he had retired from active management several years before, leaving a trusted manager in charge. The statements submitted by the manager to the Board of Directors showed excellent earnings and a strong financial position. Finally there wasn't cash enough left to pay the bills.

It was found that the manager had stolen over a hundred thousand dollars and covered it up by misstating the facts in the statements submitted to the Directors. The company was completely wrecked and the principal stockholder, who had retired, thinking he and his family could live in comfort during their declining years, found themselves penniless. An audit at any time would have disclosed the facts and stopped the embezzlement.

Any practicing accountant unearths numerous defalcations in the course of his work which, if let go, might be as disastrous.

The question is often asked, "How does the accountant secure his specialized training? What is it that enables him to glean more from business records than the executive who is constantly in touch with the business?"

The accountant has a long, hard path to climb in securing his training. I shall not attempt to trace the development of accountancy, but will try to give some idea of the way the beginner in the present day gets his initial education in accounting subjects and obtains his practical experience.

Most recruits for accounting offices are now obtained from graduates of colleges and universities. In the case of my organization, we insist on the applicant having completed a college of commerce course, majoring in accounting. He also must have secured high gradings in the course of his studies, particularly English, mathematics, and accounting. We have found that if we pick from among the top 25% of a class in gradings we get more satisfactory results.

Approximately 70% of the members of our staff are college trained, and a large proportion of these are graduates of the University of Iowa. We do not, of course, confine ourselves exclusively to college graduates in taking on new men, but we do insist that the beginner must have obtained a training that is substantially equal to that outlined above.

Good educational training in accountancy subjects is now available at most universities. Our own University of Iowa at Iowa City has an exceptionally good department for the work. A few correspondence schools also give first-rate training in accounting work.

This educational training is of great value to the prospective employer in two ways. It develops the analytical and mathematical faculties of the student and his abality to use good English, and, through gradings on work done, provides for weeding out the mediocre and unfit in selecting a staff accountant.

The beginner, thus academically trained and carefully chosen, has a hard row to hoe at first. It is some time before he is of real value, as practical experience is the most important element of the equipment of an accountant. The theoretical training he has received, however, enables him to achieve proficiency more quickly under the system which now prevails. Also the mortality among the beginners is very much reduced.

After a few months or a year of practical experience, depending upon his natural aptitude, he becomes a valuable junior assistant. Soon thereafter he may be able to handle comparatively easy assignments alone, with necessary supervision, and is classified as a semi-senior. When he (*Continued on page* 36)

Insurance digest

Inaugurated because of the credit fraternity's close contact with the insurance field and need of information about it.

Federal aid to prevention work

The National Board of Fire Underwriters has indicated to its affiliated state organizations throughout the United States its anticipation of their being of assistance in spreading of information regarding the provisions of the National Industrial Recovery Act among municipal officials, and in convincing such officials and others of the unusual opportunity which this proffered Federal aid presents for building up and improving the fire defenses of our cities. The fire losses of American cities have been a matter of immediate concern and it is expected that a public works program such as that ahead may have a decidedly beneficial effect, "The Eastern Underwriter" declares.

It is stated by a committee of the American Water Works Association, with whom the underwriters are cooperating, that a community cannot afford to let this offer of the Federal Government go by. Not only has it been previously unheard of to have 30% of the cost of labor and materials donated as an outright gift but, in addition, to have such an offer come at a time when construction costs are far below normal price levels. As an added inducement, the Federal Government will provide the remainder of the funds needed to finance the improvements at an unusually low rate of interest.

Many needed types of fire prevention and protection work are eligible for grants and loans under the act. Outstanding are the construction and betterments of water supply facilities which are a primary necessity for adequate fire protection. Such works include added supplies to insure against depletion in time of drought or heavy demand, increased pumping and distribution, main capacity and many other items. There may also be well included in work of this type the building and housing projects which may in many cases remove or replace areas of high fire risk due to unsafe types of construction or crowding.

Decision has not been made as to whether a city may obtain funds under the act for the purchase of fire fighting equipment. Since the act provides for the motorization of Army units this would appear to be a possibility. The construction of municipal buildings, such as fire department buildings, and of alarm systems and similar capital expenditures are, it is to be assumed, fully eligible for aid under the act.

R. F. C. organizes insurance board

Jesse H. Jones, director of the Reconstruction Finance Corporation, has created an insurance advisory board to assist the government relief organization in its affairs with insurance companies arising from the granting of loans. The advisory board will also pass upon purchases of preferred stocks of insurance companies.

James A. Beha, manager of the National Bureau of Casualty and Surety Underwriters, has been elected to the new board, it was learned. Details concerning the functions of the new body are expected to be announced soon.

The Reconstruction Finance Corporation has loaned in excess of $83,000,000 to insurance companies since its creation. Additional powers to purchase preferred stock and other securities of embarrassed insurance companies were given to the R. F. C. under the Fletcher bill, passed recently.

This bill was designed to circumvent the original provision of the R. F. C. which limited loans to solvent companies, but did not provide for rehabilitation of insurance corporations temporarily embarrassed by severe decline in their investments. At that time it was felt that many of these companies under normal market conditions were solvent and if funds could be made available to them they could be nursed along.

The Globe and Rutgers Fire Insurance Company, which was taken over by the New York Insurance Department last March for rehabilitation, included the sale of preferred stock to the R. F. C. in its plan of rehabilitation.

Walter C. Foster Dies Suddenly

(*Continued from page* 27) of Credit Men. He occupied this position at the time of his death. In this official capacity he directed the activities of the Association's national chain of Adjustment and Collection Bureaus, consisting of 74 units in key cities whose work is chiefly liquidations under the National Bankruptcy Act, equity receiverships and assignments for the benefit of creditors.

During the past two years, Mr. Foster has been very prominent in the Association's nationwide legislative activities. He has made many significant contributions to bankruptcy studies and bankruptcy legislation which was effected within the last two years. He was recognized in the commercial field as one of the nation's leading bankruptcy experts. For four years he has conducted the "Answers to Credit Questions" Department in Credit and Financial Management and has contributed many articles to Credit and Financial Management and other publications. During his service with the government and with the Association, Walter enjoyed a large acquaintanceship with influential men throughout the country. Many Senators, representatives and governors were his personal friends.

He is survived by a wife, Minnie M. Foster, 125 Riverside Drive, New York City, and also a brother of New York City.

It is difficult to estimate the value of his many contributions to the credit fraternity. Walter was one of those rare personalities who attracted legions of friends and supporters. He will be remembered by his co-workers as a loyal and efficient associate and certainly he will be remembered by all who knew him as one of the finest gentleman of sterling character who ever lived.

Answers to credit questions

Conducted by Walter C. Foster

The National Association of Credit Men supplies answers to credit questions and some of the answers, of general interest are printed regularly in Credit and Financial Management. Advice cannot be given, however, regarding legal rights and liabilities. Such advice should be obtained from an attorney to whom all the facts should be stated. When such inquiries are received, information is furnished only as to the general principle of law involved.

Promissory notes

Q. *Is a promissory note providing for payment of 6% interest until maturity and 7% interest after maturity with a confession of judgment clause legal in the State of New York and other states?*

A. The legal rate of interest in the State of New York is 6%. The provision for 7% would be illegal in New York unless the note were made by a corporation which, under the laws of New York, is not permitted to set up a defense of usury.

The confession of judgment clause is not valid in New York but does not affect the validity of the note itself. A rate of interest in excess of 6% is prohibited only in the following states:

Connecticut, Delaware, Kentucky, Maryland, New Jersey, New York, North Carolina, Pennsylvania, Tennessee, Vermont, Virginia and West Virginia.

The states of Delaware, Maryland and Virginia have statutes similar to the New York statute which precludes corporations from setting up usury as a defense. In such states a promissory note made by a corporation, providing for 7% interest, would be valid and enforcible.

Transit checks on failed banks

Q. *Where a check is received from a debtor, deposited in the usual manner for collection and is charged to the maker's account by the bank upon which it is drawn, which bank fails before remittance draft is paid, is the owner of the check a general creditor of the failed bank?*

A. Yes. However, in a number of states, statutes have been adopted for the protection of the owner of the check under such circumstances. These states are: Colorado, Idaho, Indiana, Kentucky, Louisiana, Maryland, Missouri, Montana, Nebraska, New Jersey, New Mexico, New York, Oregon, Pennsylvania, South Carolina, Utah, Washington, West Virginia, Wisconsin and Wyoming.

Consigned merchandise

Q. *In what publication can be found complete information in regard to the rights of the shipper of consignment stock? Two angles are of particular interest at this time, namely, where a consigned stock is on hand when the customer goes into bankruptcy, and also when the stock has been sold and not paid for at the time of bankruptcy.*

A. We know of no publication which will give complete information regarding consignments and the validity of the same in the event of bankruptcy. The subject is discussed in the 1933 Credit Manual at page 104.

When a consignee goes into bankruptcy after having sold consigned merchandise, the consignor may recover the proceeds of the sale from the Receiver or Trustee in Bankruptcy in an appropriate proceeding, provided the proceeds of the sale can be traced and identified, but not otherwise.

Each case of this kind must be considered on its own facts and a statement of general principles is not usually helpful.

Credit data builds profits

(*Cont. fr. p.* 13) credit should not be extended without protection, will greatly relieve the tension and help to eliminate times such as we are passing through at the present.

Pyramiding of debts may prolong prosperity and temporarily erect good things, but eventually they will be destroyed. A determination to know the debtor is paying his bills will result in a more even business keel. The credit interchange of the National Association of Credit Men can without a doubt be used advantageously in every line of business.

Hop-skip-jump!

(*Cont. from page* 11) method practically all of the merchandise taken to Philadelphia was successfully traced.

Berson upon returning to New York was called upon to testify under oath before the Referee as to his knowledge of Sam Finkelstein whose address incidentally designated the home of Berson.

At the hearing Berson described Finkelstein as a boarder who remained at his home but three or four months and then left for Detroit, Michigan. However, as it was known to the investigators that Berson's story as to Finkelstein was without truth and after he had been positively identified as the man who gave his name as Finkelstein, he was taken into custody on a federal warrant of arrest and shortly thereafter both he and Saul Elkind were indicted by the Federal Grand Jury on a charge of concealment of assets in violation of the National Bankruptcy Act.

In the interim Saul Elkind fled to Italy there to await the outcome of the illegal methods practised both by himself and Berson in the conducting of their business. When no word was heard for some time, he decided to return to the United States. Upon arrival, he also was taken into custody.

Five days following the indictment against these individuals which was secured by Assistant United States District Attorney Austin, both Elkind and Berson entered pleas of guilty and each was sentenced to a term of imprisonment which term will unquestionably confine their activities during these summer months. While the temperature of the prison may equal that recorded on the shore of the Mediterranean, nevertheless it is quite certain that their present location will not in any sense be as agreeable.

The conviction of these men added two more to the total of 1,445 convictions obtained since the inception of the Fraud Prevention Department on June 1st, 1925.

Accountant as a business aid

(*Cont. from page* 34) becomes proficient enough to have charge of practically any audit he becomes a senior.

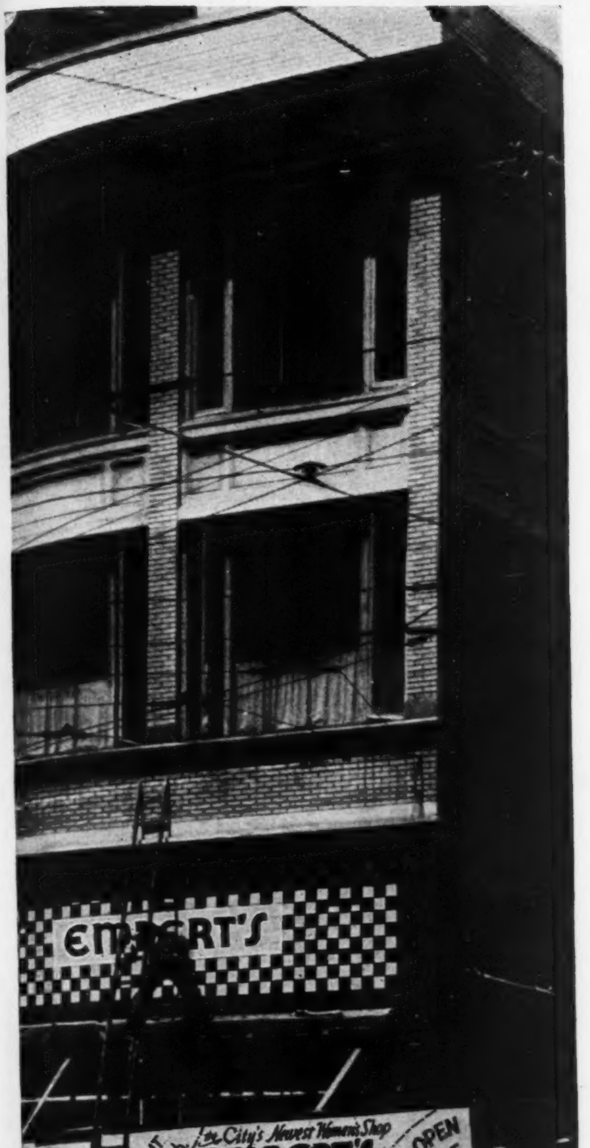
At some time in the course of his career the more enterprising staff man usually takes the state examination for certificate as certified public accountant; and if successful is entitled to use the letters C.P.A. He is then eligible to become a supervisor or branch office manager, or if sufficiently capable to be taken into the firm as a partner.

The work of the practicing accountant is arduous and his difficulties are many. He can never expect to acquire great wealth through his practice like the attorney. He has, however, the recompense that to one with an analytical turn of mind (and the accountant must have that) the work is intensely interesting. He also has the satisfaction of knowing that his work is constructive and that the conscientious labors of accountants during the past quarter century have contributed greatly toward the present efficiency of business.

Reprinted from "The Certified Public Accountant"

Two kinds of people are necessary for a strong committee—some to make speeches and some to do the work.

WILLIAM FEATHER.



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Court decisions

CHATTEL MORTGAGE. UNRECORDED BILL OF SALE. VALIDITY AS AGAINST TRUSTEE IN BANKRUPTCY OF TRANSFEROR. (N. J.) A manufacturer, in effectuating a sale to a dealer, shipped cars, sending to a bank the invoice and bill of lading with sight draft attached. The bank delivered the bill of lading to the dealer, on receiving from the dealer payment of part of the invoice together with a note to the bank from the dealer for the balance of the invoice price, and a bill of sale for the car, and the bank remitted to the manufacturer the full invoice price. When the dealer sold the car, he paid the bank the amount due on the note and received back the bill of sale.

Held that in such a transaction the bank is a creditor of the dealer, and held the bill of sale simply as security; and that (the bill of sale not being recorded) as between the bank and the trustee in bankruptcy of the dealer, the latter is entitled to the ownership and possession of cars covered by such bill of sale, retaken by the bank from the dealer immediately prior to the latter's bankruptcy. A bill of sale, absolute in form, but which is intended by the parties to convey only a title or interest by way of security instead of an absolute ownership, is a "conveyance intended to operate as a chattel mortgage". Such a bill of sale, unrecorded, is void as against the trustee in bankruptcy of the transferror. Decree below affirmed. *Harding v. First-Mechanics National Bank of Trenton.* N. J. Ct. of Errors and Appeals. Decided April 28, 1933. Requisition No. 92011.

CONDITIONAL SALE. BAILMENT. POSSESSION. BAILOR'S RIGHT AS AGAINST BAILEE'S RECEIVER. (N. C.) A discount corporation obtained possession of and title to certain automobiles by repossessing them under conditional sales contracts which had been assigned for value to the discount corporation by the dealer. The discount corporation delivered the cars to the dealer under a contract providing that the dealer should repurchase such cars from the discount corporation for the amount due under the conditional sales contracts, and that until demand by the discount corporation and actual payment of the amount due by the dealer the title to the repossessed cars should remain in the discount corporation and that the dealer's possession should remain that of bailee for storage with duty to redeliver to the discount corporation upon demand.

Held that the contract under which the cars were delivered to the dealer by the discount corporation was not a conditional sales contract, but created the relation of bailor and bailee, and the contract was not required to be registered. C. S., 3312, and the discount corporation remained the owner thereof and was entitled to possession upon demand as against the receiver of the dealer appointed upon the latter's insolvency. An unregistered conditional sales contract is valid as between the parties, C. S., 3311, 3312, and where an automobile dealer sells cars under conditional sales contracts and assigns the contracts to a discount corporation for value, and the discount corporation repossesses the cars from the purchasers upon default in the payment of the purchase price, the discount corporation is the owner of the cars as against the purchasers and the dealer although the conditional sales contracts were not registered. There was no error in the order of the trial court directing the receiver to pay to the petitioner, General Contract Purchase Corporation, the proceeds of the sale of the automobiles which were in the possession of the defendant at the date of the commencement of this action. Order below affirmed. *Cutter Realty Co. v. Dunn Moneyhun Co.* N. C. Supreme Ct. Decided May 17, 1933. Requisition No. 91938.

CONTRACT WITH FACTOR. AMOUNT OF LIABILITY. EVIDENCE. SUMMARY JUDGMENT. TRIABLE ISSUE (N. Y.) Plaintiffs are merchants and defendant is a factor or commission merchant. Under a written contract dated July 15, 1931, defendant agreed to make sales for plaintiffs through a sales agent. Defendant assumed the credit risk for the merchandise sold, provided that it had approved the credit risk in writing. In the event of dispute between the customer, the sales agent and plaintiffs, the factor had the privilege of charging back the account. This means that defendant left it to the parties to settle the dispute without assuming the credit risk. The contract was terminated in January, 1932. Defendant sent plaintiffs a statement showing \$3,177.64 due. It sent with the statement a check for the amount in full settlement. Plaintiffs would not take the check on those terms. There was a sale to one Tananbaum. The selling agent had invoiced a bill of goods of \$4,832.89, payable December 3, 1931. Tananbaum had complained about the quality of the goods. Defendant charged back the amount of this sale as it had a conceded right to do and notified plaintiffs. The dispute with Tananbaum was settled by crediting him with \$758.10. Defendant took the position that because this was a disputed claim, it was not responsible for the balance remaining unpaid. By letter dated November 12, 1931, however, it stated: "that though in view of the dispute as to this item our responsibility under our factoring agreement ceased, and though this amount has been charged back to you on our October 31st statement, we, nevertheless, are satisfied to continue our credit checking on this particular item of \$4,482.89 up to and including Dec. 3rd, 1931, after which time any responsibility we may have as to this item is to cease and is to be of no force and effect." This letter has been construed by the Appellate Division as a binding agreement to carry the item as if it had never been charged back and as a guaranty to plaintiffs that defendant would pay the balance of Tananbaum's bill as if the bill had never been disputed. It is solely on this letter that plaintiffs assert their right to recover the amount of the disputed item. After Tananbaum's financial condition became known defendant disclaimed responsibility. Summary judgment has been granted by the Appellate Division for the full amount claimed, although the Special Term granted relief only as to the undisputed balance, less a counterclaim which the Appellate Division properly disallowed. The Special Term had held that as to the Tananbaum item a triable issue was raised.

Held that it seems difficult to say as matter of law that the words "continue our credit checking" means to credit plaintiffs with "this particular item of \$4,832.89" which had been charged back to them. The letter may be a waiver of any defense defendant may have thereto, because of the dispute over the \$758.10 item, up to December 3, 1931. It may be a new contract or promise for which no consideration is shown. The language is not so clear as to justify the court in saying that its meaning may be determined by affidavits. This action is against a surety and summary judgment should not be granted on affidavits where it fairly appears that there is an issue to be tried. Here we have a technical term—"credit checking"—to be defined by witnesses, and other questions of fact which should be resolved after a trial. Summary judgment was improperly awarded to the extent of granting judgment for the amount demanded in the complaint. Judgment of Appellate Division modified and the motion for summary judgment as granted by the Appellate Division denied, and judgment of the Special Term granting partial judgment, as modified by the Appellate Division by disallowing the counter claim, affirmed. Brawer, et al. v. Mendelson Bros. Factors, Inc. N. Y. Ct. of Appeals. Decided May 23, 1933. Requisition No. 91819.

HOUSE FURNISHINGS. ORAL CONTRACT. GOODS OVER \$50 IN VALUE. QUESTION OF ACCEPTANCE. (WISC.) The plaintiff is a Wisconsin corporation dealing in furniture and other goods. The controversy involved relates to certain goods placed between August 31, 1927 and June 30, 1928 in an animal home, erected by Lenore Cawker. The price of the goods claimed by the plaintiff is \$11,736.07. Upon this account four payments were made. Lenore Cawker died testate June 19, 1932, and the action was revived against the executor of her estate. Defendant pleaded that all articles were delivered by the plaintiff to the animal home upon condition that Lenore Cawker would become liable for the price thereof only after she had notified the plaintiff of her acceptance of such articles, and that she had never accepted them. The trial court submitted the question of a conditional sale to the jury, who found against the defendant. The principal claim made is that the parties, having entered into no written contract for the sale and purchase of the goods, there was no delivery of the goods sufficient to validate the contract, the sale being one of goods of the value of more than \$50.00.

Held that Section 121.04 of the Uniform Sales Act governs as to what constitutes acceptance. That section provides that there is an acceptance of goods when the buyer, either before or after delivery of the goods, expresses by words or conduct his assent to becoming the owner of those specified goods. In addition to paying plaintiff \$5,000 by way of a note, the deceased made three cash payments. Commencing with the month of December, 1927, 29 consecutive monthly statements or invoices of account were mailed by the plaintiff to Miss Cawker. On December 8, 1928, she wrote to the president of the plaintiff corporation that she would soon pay in full. In her original answer she admitted the giving of the note for \$5,000 and alleged partial payment. There was not therefore sufficient to make a jury issue with respect to acceptance. Judgment for plaintiff affirmed. *F. H. Beesler Company v. Bauer, Executor.* Wisc. Supreme Ct. Decided June 6, 1933. Requisition No. 92646.

CONTRACT OF MINOR. CONDITIONAL SALE. DISAFFIRMANCE. RESTITUTION OF CONSIDERATION. (WASH.) An action in replevin, brought on behalf of a minor, by his guardian, against the defendant to recover possession of a truck formerly owned by the minor and traded in by him as part of the purchase price of a new automobile; damages for detention of the truck are also sought in the complaint. The original transaction between the parties was evidenced by a conditional sale contract which the minor subsequently elected to disaffirm, preparatory to the

bringing of this action. The first question relates to the restoration to be made by a minor on disaffirming his contract. The plaintiff had not yet reached his majority when he declared his disaffirmance, nor at the time of the commencement of this action. Section 5829, Rem. Rev. Stat., requires the minor to restore to the other party all money and other property received by him by virtue of the contract and remaining within his control. The statute does not require the restoration of the property in its original condition or in lieu thereof the payment of its equivalent in value, nor does it require the minor to compensate the other party for the use or depreciation of the property, but merely requires him to restore that which he retains or controls.

Held that an infant, on disaffirming his contract, is required to return only so much of the consideration as remains in his hands in specie, and is not required to make good to the other party the portion of the consideration that has been disposed of, lost or wasted during his infancy. This is particularly true where the contract is for the purchase of personal property. The welfare of the infant is the first consideration of the law, and its policy is to protect the infant against improvidence and folly, because his mind and judgment are immature. The improvidence which the law contemplates is not simply the making of an unwise contract, but very often is the use or misuse to which the property is put after it is purchased. To deny the privilege or right of disaffirmance, when that improvidence or folly has become apparent, would permit the accomplishment of the very thing against which the law seeks to provide. The second question relates to the conditions under which a minor may disaffirm his contract. Rem. Rev. Stat., Sec. 5830, provides that, in order to prevent disaffirmance, there must be either an actual misrepresentation of age by the minor, or else an implied misrepresentation arising from his having engaged in business, whereby the other party has good reason to believe him to be capable of contracting. Whether plaintiff's former business activities and enterprises were such as to lead one generally to believe him capable of contracting, is immaterial in this case, because the court, in its findings of fact, specifically found that the agent of the defendant knew that the plaintiff was not of age. Judgment for plaintiff affirmed. *Snodderly v. Brotherton.* Wash. Supreme Ct. Decided May 12, 1933. Requisition No. 91956.

LIFE INSURANCE POLICIES. SURRENDER VALUE. RIGHTS OF TRUSTEE. SUMMARY PROCEEDING. EXEMPTION. SECTION 52, N. Y. DOMESTIC RELATIONS LAW. APPLICABILITY. (N. Y.) The principal question in this case is whether the Trustee is entitled to the surrender value of various life insurance policies on the life of the bankrupt, payable to his wife as sole beneficiary, with reserved power in the bankrupt to change the beneficiary at will. It is conceded that Section 55-a of the New York Insurance Law has no application, because a considerable portion of the bankrupt's indebtedness arose prior to March 31, 1927. In re. Messinger, 29 Fed. (2) 158. But it is insisted by the bankrupt that the policies are exempt under Section 52 of the New York Domestic Relations Law, despite the fact that there is reserved power in the bankrupt to change the beneficiary.

Held that the law in this Circuit is, however, to the contrary. (In re. White, 174 Fed. 333; In re. Samuels, 254 Fed. 775; In re. Greenberg, 271 Fed. 258; In re. Messinger, (supra). Nor have these cases been over-ruled by In re. Reiter, (1932 CCH, page 10, 135) 58 Fed. (2) 631, although the opinion severely criticizes in re. White, (supra) and In re. Samuels (supra). It is also urged by the bankrupt that the New York courts have construed Section 52 so as to exempt the policy when payable to the wife, irrespective of any reserved power to change the beneficiary. But the Court is satisfied, that In re. White and In re. Samuels are still the law of this Circuit. The Referee held that the Trustee could not proceed against the bankrupt by summary petition, but should be relegated to a plenary suit. It is well settled, however, that the Bankruptcy court has summary jurisdiction over the bankrupt during the bankruptcy proceedings; and this summary power continues even after discharge, provided the estate is still open. The proceedings, insofar as the Equitable and Fidelity Mutual Companies were concerned, were discontinued by the Trustee after those companies had made timely objection to the Court's summary jurisdiction. The John Hancock Company, however, appeared generally, and answered the Trustee's petition on the merits; and this, in effect, constituted a waiver on its part of the summary jurisdiction; and the subsequent attempt to withdraw was plainly abortive. It follows that the petition to review is sustained, and the Trustee is entitled to a summary order against the bankrupt, and the John Hancock Mutual Life Insurance Company, as prayed for in the petition. *Matter of Lipton.* U. S. Dist. Ct., So. Dist. of N. Y. Decided June 9, 1933. Requisition No. 92705.

National survey of sales, collections

(*Cont. from page* 19) are still slow. Sales show satisfactory increases.

MISSOURI: St. Joseph reports better paying attitude and fair conditions on sales. St. Louis reports payments fair with sales good. Kansas City registers a double check in the "fair" columns.

MONTANA: Billings and Great Falls check on "fair" for both columns while Helena indicates cash receipts slow with sales good.

NEBRASKA: Omaha reports the area in Eastern Nebraska and Western Iowa is severely affected by drouth.

NEW JERSEY: Newark and Trenton both check under the "fair" columns for both collections and sales.

NEW YORK: The capital district about Albany indicates some gains in sales with collections still registering only fair. Buffalo reports "good" for both. Other sections of the state still are registered under "fair".

OHIO: Columbus indicates that collections are improving and that sales are good. Dayton and Toledo still are registered in the fair and slow columns.

OKLAHOMA: Oklahoma City and Tulsa both indicate lack of long hoped for business improvement.

OREGON: Portland reports that business in general is showing some improvement and that sales in particular are looking up.

PENNSYLVANIA: Reports from six cities in this state that business still is backward with some indications of a pickup.

TENNESSEE: Chattanooga, Knoxville and Memphis indicate slight gains in trade with collections still rather backward.

TEXAS: Wichita Falls and Fort Worth give the best reports in Texas. The latter city indicates that cash receipts are exceeding sales.

VIRGINIA: Richmond indicates a change to a marginal good while Roanoke reports sales increasing in anticipation of new taxes.

WASHINGTON: Both Seattle and Spokane indicate some improvement in the past month in both collections and sales.

WEST VIRGINIA: Parkersburg-Marietta district indicates slight improvements but collections still slow.

WISCONSIN: Milwaukee gives the best report in the dairy state with "fair" checked in both columns.

"What benefit to me?"

(*Continued from page* 28) and see how many interesting phases there are.

Development and maintenance of an up-to-date prospect file.

Careful study of reasons for joining and answers to possible objections (how much a member himself becomes informed of his Association values hereby).

To investigate applications for membership.

To stimulate interest among inactive members.

Investigate resignations and attempt to reinstate.

To meet periodically with other credit managers in Committee sessions.

We want to emphasize the cost of membership, namely a certain number of dollars, *plus* some of your time. Loyalty to one's business, professional organization is an admitted fact, and as his business organization is built, so is the prestige of his profession and organization elevated.

Beyond that, we point to the perfectly logical selfish motive, and a man with selfish motives is not to be criticized. There is dollars and cents value in building the organization which serves you in your work.

If the roster of your Membership Committee is completed, look over the other standing Committees, and you will surely find a place in which your personal efforts will redound to the benefit of your organization and yourself.

ALWAYS IN TOUCH

Where your debtor is located makes no difference. No location in the United States is further than a day away from one or more of the 71 approved Collection-Adjustment Bureaus of the National Association of Credit Men. Each local director is in touch with the ever changing local conditions. The personnel of each Bureau is skilled and efficient. Each Bureau is operated *by* Credit Executives *for* Credit Executives. Each local Bureau is backed by the strength and influence of the National Association of Credit Men.

Approach to any problem in insolvency is made with all the advantages of local representation plus the advantages of National prestige.

Each contact is swift, skilled, *personal*, direct!

Regardless of location you are ALWAYS in touch through the . . . . .

Collection-Adjustment Bureaus Department

NATIONAL ASSOCIATION OF CREDIT MEN

One Park Avenue, New York, N. Y.